85-266

Supreme Court, U.S.
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No. 85-.....

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

WILCO MARSH BUGGIES AND DRAGLINES, INC.
JOHN M. WILSON, SR., DEAN R. WILSON,
and ROBERT J. WILSON, JR.,

Petitioners,

v.

KORI CORPORATION, HUEY J. RIVET,
and LOUIS WOODSON,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTIONS PRESENTED

The questions presented are similar to questions presented to this Court in *Smith International, Inc.* v. *Hughes Tool Company*, Petition No. 84-1995.

1. Under the doctrine of law of the case, does a prior interlocutory appellate decision by "necessary inference" decide an issue never briefed, argued, or referenced by either the parties or the court on the prior appeal?

2. Under the doctrine of law of the case, does a prior interlocutory appellate decision by "necessary inference" decide an issue expressly deferred by the appellate court during the prior appeal for consideration during further proceedings?

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v.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Wilco Marsh Buggies and Draglines, Inc., John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr. respectfully pray that a writ of certiorari issue to review the judgment entered by the Court of Appeals for the Federal Circuit in Appeal No. 84-1143.

OPINIONS BELOW

The decision of the Court of Appeals for the Federal Circuit of which review is sought is reported at 761 F.2d 649. It is set out in the Appendix (A.1-19).[1] It affirmed a final decision entered on August 30, 1982 by the United States District Court for the Eastern District of Louisiana reported at 561 F.Supp. 512, 523-34. (A. 23, 50-72).

[1] All reference to the Appendix will be by use of the letter "A" followed by a page number.

The following opinions in the courts below are also relevant: an unpublished interlocutory decision on a motion entered by the United States District Court for the Eastern District of Louisiana on December 2, 1980 (A.20); an interlocutory decision entered on December 11, 1981 by the same District Court reported at 561 F.Supp. 512, 514-23 (A.23, 24-50); an unpublished interlocutory order issued on October 7, 1982 by the United States Court of Appeals for the Fifth Circuit (A.73); and an affirmance of the District Court's December 11, 1981 interlocutory decision by the Fifth Circuit on June 27, 1983 reported at 708 F.2d 151 (A.74).

JURISDICTION

The judgment of the Federal Circuit is dated and was entered on May 2, 1985. A timely petition for rehearing was denied on July 31, 1985. The jurisdiction of this Court is invoked under 28 U.S.C. §§ 1254(1) and 2101(c).

STATUTES AND RULES INVOLVED

The texts of 28 U.S.C. §§ 1292, 1295, and 1631, 35 U.S.C. §§ 261, 283, 284, and 285, and Rules 52 and 65(d) of the Federal Rules of Civil Procedure are set out in the Appendix. (A.85-93).

STATEMENT OF THE CASE

The focus of the present petition is the Federal Circuit's reliance on the doctrine of law of the case to selectively bar consideration of certain issues. The District Court assessed substantial damages not only against the corporate Defendant, Wilco Marsh Buggies and Draglines, Inc. ("Wilco"), but also against the individual Defendants, John M. Wilson, Sr., Dean R. Wilson and Robert J. Wilson, Jr. (the "Wilsons"). On appeal to the Federal Circuit, the Wilsons argued that they should not be held personally liable for damages. Although no appellate court has decided this issue, the Federal Circuit refused to consider it. Instead, the Federal Circuit, *sua sponte*, determined that the

doctrine of law of the case precluded consideration of the personal liability of the Wilsons. To fully understand what the Federal Circuit did, a brief history of the litigation is necessary.

1980 District Court Decision

On December 2, 1980, the District Court denied a motion to dismiss the individual Defendants, the Wilsons. (A.20). In their motion, the Wilsons argued that they, as corporate officers and directors, were not personally liable for the acts of the Defendant corporation, Wilco. The District Court denied the motion on authority of cases such as *Mead Johnson & Co.* v. *Baby's Formula Service, Inc.*, 402 F.2d 19 (5th Cir. 1968). (A.22). The District Court reasoned that because patent infringement is a type of tort, the individual defendants could be held primarily liable and the corporation secondarily liable under the doctrine of respondeat superior for inducing patent infringement. The motion to dismiss was denied pending further proceedings to determine "to what extent, the Wilsons actively induced the alleged infringement." (A.22).[2]

1981 District Court Decision

On December 11, 1981, the District Court determined that the patent had been infringed and that invalidity of the patent had not been established. (561 F.Supp. 512; A.23). When entering an injunction and concluding that the Plaintiffs would be entitled to an award of damages, costs, and attorney fees, the District Court entered the following conclusions of law:

23.

> Defendants, by actively inducing infringement of the Rivet '785 patent are liable as infringers. 35 U.S.C. § 271(b).

. . . .

---

[2] Because this was a suit for patent infringement, the District Court had original jurisdiction under 28 U.S.C. § 1338.

26.

Having copied these essential parts of the patented amphibious craft, knowing the same to be patented and having no good faith belief that the patent is invalid, defendants are willful infringers.

27.

A belief by defendants of non-infringement or patent invalidity based upon a careless disregard of the facts is not a good faith belief sufficient to negate a conclusion that they have willfully infringed.

(561 F.Supp. at 522; A.48-49) (citations omitted). The District Court did not, however, assess the amount of damages, costs and attorney fees to be awarded to Plaintiffs.

1982 Fifth Circuit Order

On appeal to the Fifth Circuit, appellate jurisdiction was based upon 28 U.S.C. § 1291(a)(4) for review of decisions "in civil actions for patent infringement which are final except for accounting." Wilco and the Wilsons argued that the District Court's determination that they would be liable for attorney fees and willful infringement was in error. No issue concerning personal liability of the Wilsons as individuals for pecuniary damages was raised. The Fifth Circuit, *sua sponte*, questioned whether it had jurisdiction to determine such questions as liability for attorney fees when the amount of attorney fees had not yet been assessed and directed the parties "to address the question of whether under the principles of such cases as *Holmes* v. *McDermott*, 682 F.2d 1143 (5th Cir. 1982), the judgment appealed from is final within the meaning of 28 U.S.C. § 1291(a)(4) given the interlocutory character of the appeal." (A.73).

In response to this directive, Wilco and the Wilsons advised the Fifth Circuit that because an injunction against further infringement had been entered, appellate jurisdiction was proper

under 28 U.S.C. § 1291(a)(1) for review of decisions "granting . . . injunctions . . . ." Further, Wilco advised the Fifth Circuit that only questions of patent validity and infringement should be considered on the appeal and expressly waived review at that time of the issues of liability for attorney fees or willful infringement, expressly preserving their "rights to challenge the validity of those findings relative to attorney's fees and an exceptional case when, as, and if necessary, at such time as may be required in order to preserve defendants rights to question the legal sufficiency of the same."

1983 Fifth Circuit Decision

On June 27, 1983, the Fifth Circuit affirmed the District Court's December 11, 1981 decision holding the patent "valid and infringed by defendants' vehicle." (708 F.2d at 153; A.77) The Fifth Circuit expressly indicated that because the case had been bifurcated at the trial level, "the issue of damages . . . was severed" (708 F.2d at 154; A.79-80) and that "[b]y supplemental briefing Wilco waived, at this time, the attorneys' fees appeal, leaving that issue to be considered with the second phase of the bifurcated trial." (708 F.2d at 154, n. 1; A.80). The Fifth Circuit concluded that "the issues Wilco ultimately urges to this court are properly before us." *Id.*

Regarding the question of infringement, the Fifth Circuit agreed with the District Court that Wilco's machines infringed, but made no reference to any alleged infringement by the Wilsons. In pertinent part, the Fifth Circuit stated:

> The final issue is whether Wilco's marsh buggy infringes the Rivet patent. Wilco suggests a number of modifications which, it is claimed, distinguish Wilco's product from Rivet's patent . . .
>
> We need not belabor the point. Suffice it to say that a comparison of the two craft reveals substantial identity of means, operation and result. The differences are cosmetic and trivial. The essence of both vehicles is the same; each

> relies on the Rivet improvements. Wilco's models infringe the Rivet patent.

(708 F.2d at 156; A.84).

The Fifth Circuit did not discuss the issues of personal liability of the individual Defendants, the Wilsons, for pecuniary or punitive damages or attorney fees.

1982 District Court Decision

During the pendency of the appeal before the Fifth Circuit, the District Court conducted further proceedings on the question of damages. On August 30, 1982, the District Court rendered a decision holding "defendants" liable for pecuniary and punitive damages and attorney fees "in the amount of $1,113,660.11." (561 F.Supp. at 534; A.72). In the course of its opinion, the District Court summarized its 1981 conclusions of law stating that "the devices manufactured by the defendants infringed" and "the defendants, by actively inducing infringement of the Rivet '785 patent, are liable as infringers." (561 F.Supp. at 522; A.48).

1985 Federal Circuit Decision

The Federal Circuit affirmed the District Court's award of damages in all respects. (761 F.2d 649; A.1). Regarding the issue of personal liability of the individual Defendants, the Federal Circuit refused to consider this issue. *Sua sponte*, the Federal Circuit determined that the doctrine of law of the case precluded consideration of the personal liability of the Wilsons. The Federal Circuit, in pertinent part, stated:

> The district court's decision denying Wilco's motion to dismiss [the individual defendants] was part of its original decision on liability. The Fifth Circuit has already affirmed the district court's liability decision in all respects. 708 F.2d at 156, 219 U.S.P.Q. at 289. Issues decided at an earlier stage of litigation, either explicitly or by necessary inference from the disposition, constitute the law of the case. *See* 1 J. Moore, *Federal Practice* ¶ 0.404[1], n. 15 (1984).

(761 F.2d at 657; A.18).

REASONS FOR GRANTING THE WRIT

Like the Petition for Certiorari to the Federal Circuit presently pending before this Court in *Smith International, Inc.* v. *Hughes Tool Company,* Petition No. 84-1995, this petition presents questions of the proper application of the doctrine of law of the case. No questions of technology or of substantive patent law are presented. In *Smith*, the Federal Circuit relied on a single sentence in a 47 page brief to the Ninth Circuit in a section discussing unrelated issues to find a law of the case and refuse consideration of matters never considered or discussed by any court. Here, the Federal Circuit, *sua sponte*, has gone two steps further. First, the Federal Circuit has refused to consider the issue of personal liability of the individual Defendants, the Wilsons, for pecuniary damages. This issue was not briefed, argued, referenced, or in any way addressed by the parties or the court during the prior interlocutory appeal to the Fifth Circuit. Second, the Federal Circuit has refused to consider the issue of personal liability of the Wilsons for attorney fees and punitive damages. These issues were expressly waived by the Wilsons during the prior interlocutory appeal to the Fifth Circuit and expressly and implicitly reserved by the Fifth Circuit for consideration during further proceedings. (708 F.2d at 154, n. 1; A.80).

Clearly, the Federal Circuit has refused to consider matters that could have been, but were not, considered during a prior interlocutory appeal. This is a purpose and policy of *res judicata*, not law of the case. In doing so, the Federal Circuit has acted contrary to the directives of this Court. But more importantly, as a national appellate court, the Federal Circuit has mandated that incorrect principles of federal procedure be followed by each of the 507 district judges who, in part, owe fealty to the Federal Circuit. This petition, as well as the petition in *Smith*, should be granted to correct the erroneous national precedents now set by the Federal Circuit — a court composed

primarily of judges experienced in administrative procedures from their prior tenure with the Court of Customs and Patent Appeals and Appellate Division of the Court of Claims, but having little experience guiding the workings of Article III courts.

An issue of national importance and of monumental practical importance for all corporate officers and directors is whether they can be held personally and jointly liable for patent infringement with an infringing corporation during the routine performance of their corporate duties. There is a split of decision between the circuit courts of appeals. Compare *Mead Johnson & Co.* v. *Baby's Formula Service, Inc.*, 402 F.2d 19, 23 (5th Cir. 1968) with *Dangler* v. *Imperial Machine Co.*, 11 F.2d 945, 946-47 (7th Cir. 1926).[3] The Federal Circuit has not yet resolved this conflict in the patent law. The Wilsons, the individual Defendants, have a right to have the question of their personal liability for damages determined by an appellate court. The Federal Circuit, *sua sponte*, has refused to do so. (761 F.2d at 657; A.18). The appropriate motion to dismiss the individual Defendants was made to the District Court. Following the *Mead Johnson* lines of cases, the District Court denied the motion to dismiss the individual Defendants in December of 1980 (A.20) and reaffirmed the liability of the individual Defendants in its first published interlocutory decision of December 11, 1981 (561 F.Supp. at 512; A.23) and in its final decision of August 30, 1982 (561 F.Supp. at 523; A.50).

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[3] Other cases following the *Dangler* line of reasoning include: *Powder Power Tool Corp.* v. *Powder Actuated Tool Co.*, 230 F.2d 409, 414 (7th Cir. 1956); *Besly-Welles Corp.* v. *Balax, Inc.*, 291 F. Supp. 328, (E.D. Wis. 1968), *aff'd* 421 F.2d 809, 821 (7th Cir. 1980); *Schreyer* v. *Casco Products Corp.*, 97 F. Supp. 159 (D.C. Conn.), *aff'd as modified on other grounds*, 190 F.2d 921 (2d Cir. 1951); *Wisconsin Alumni Research Foundation* v. *Vitamin Technologists, Inc.*,41 F. Supp. 857 (S.D. Cal. 1941), *aff'd*, 146 F.2d 941 (9th Cir.). *See* Deller's *Walker on Patents*, § 500 (2d Ed. 1965).

Although a first interlocutory appeal was taken to the Fifth Circuit from the District Court's December 11, 1981 decision, the only questions ultimately presented and reviewed were questions of patent validity over certain known technology and patent infringement by certain of Wilco's devices. No question regarding the personal liability of the Wilsons, the individual Defendants, was briefed, argued, reviewed, or referenced by the Fifth Circuit. Instead, the questions of personal liability of the Wilsons were reserved and raised to the Federal Circuit on appeal from the final decision entered by the District Court on August 30, 1982. Both parties presented arguments on the merits. No issue was raised concerning any possible application of the doctrine of law of the case. Without regard for the merits, the Federal Circuit, *sua sponte,* refused to resolve these issues on the basis that the Fifth Circuit's prior interlocutory appellate decision somehow affirmed the District Court's decision that the Wilsons should be personally liable for damages.

The Federal Circuit's refusal to decide the issue of personal liability of the Wilsons under the rubric of applying the law-of-the-case doctrine is contrary to the directives of this Court. As acknowledged by the Federal Circuit, the doctrine of law of the case applies only to matters actually decided in prior proceedings either expressly or by clear implication. *See Quern* v. *Jordan,* 440 U.S. 332, 347 n.18 (1979); *Messenger* v. *Anderson,* 225 U.S. 436, 444 (1912). To this must be added another axiom of Federal practice: the doctrine of law of the case does not preclude matters that could have been but were not decided during prior proceedings. 18 Wright, Miller & Cooper, *Federal Practice and Procedure: Jurisdiction,* § 4478, at 788-89 (1981). As the Fifth Circuit has recently explained: "unlike common law res judicata, the law of the case established by a prior appeal does not extend to preclude consideration of issues not presented or decided on the prior appeal." *Conway* v. *Chemical Leaman Tank Lines, Inc.,* 644 F.2d 1059, 1062 (5th Cir. 1981). These

principles are echoed in many cases. *Maggard* v. *O'Connell,* 703 F.2d 1284, 1289 (D.C. Cir. 1983); *Liberty Mutual Ins. Co.* v. *EEOC,* 691 F.2d 438, 441 (9th Cir. 1982); *Doran* v. *Petroleum Management Corp.,* 576 F.2d 91, 93 (5th Cir. 1978); *Connett* v. *City of Jerseyville,* 110 F.2d 1015, 1018 (7th Cir. 1940). In addition, as also explained by the Fifth Circuit, the "law of the case doctrine does not encompass issues presented for decision but left unanswered by the appellate court." *Pegues* v. *Morehouse Parish School Board,* 706 F.2d 735, 738 (5th Cir. 1983).

It is critical, then, to determine what issues were actually decided in order to define the "law" of a case. *Gertz* v. *Robert Welch, Inc.,* 680 F.2d 527, 533 (7th Cir. 1982). In determining what issues were decided by a previous appellate opinion, the focus is, as it must be, wholly on that prior opinion, bearing in mind the procedural posture of the case at that time. *Maggard* v. *O'Connell,* 703 F.2d 1284, 1289 (D.C. Cir. 1983). This requires "a careful reading" of that prior opinion, *Gertz, supra,* 680 F.2d at 533, since it is well settled that omissions, contentions of counsel not responded to, and observations or commentary on matters not before the court do not become part of the law of the case or constitute bases from which the law of the case may properly be inferred. *Hartford Life Insurance Co.* v. *Blincoe,* 255 U.S. 129, 136 (1921); *Connett* v. *City of Jerseyville,* 110 F.2d 1015, 1018 (7th Cir. 1940). *See, Washington Sportservice, Inc.* v. *M.J. Uline Co.,* 313 F.2d 889, 895-896 (D.C. Cir. 1962) (Bazelon, C.J., dissenting). The real question is simply: was the point now raised decided on the former appeal? *Chase* v. *United States,* 261 F. 833, 840 (8th Cir. 1919), *aff'd,* 256 U.S. 1 (1921).

Upon a careful reading of the Fifth Circuit's opinion in the present case, bearing in mind its procedural posture and in view of the foregoing principles of law governing this issue, it becomes

readily apparent that the Fifth Circuit did not decide the personal liability of corporate officers issue that *sua sponte* was refused consideration by the Federal Circuit. The fact that the Fifth Circuit did not decide the personal liability issue is clear from the following procedural facts:

(1) No arguments were made to the Fifth Circuit concerning personal liability of the individual defendants for inducing infringement. No statement concerning the liability of the individual Defendants appears in the Fifth Circuit opinion. No citation of the pivotal case of *Mead Johnson & Co.* v. *Baby's Formula Service, Inc.*, 402 F.2d 19 (5th Cir. 1968), relied upon by the District Court, appears in any brief or the Fifth Circuit opinion.

(2) Arguments concerning the liability of the Defendants — both corporate and individual — for willful infringement, increased damages, and attorney fees were made to the Fifth Circuit. However, in a letter order dated October 7, 1982, the Fifth Circuit *sua sponte* questioned whether the Fifth Circuit had jurisdiction and directed that the parties submit supplemental briefs addressing the question of "whether under the principles of such cases as *Holmes* v. *McDermott*, 682 F.2d 1143 (5th Cir. 1982), the judgment appealed from is final within the meaning of 28 U.S.C. § 1291(a)(4) given the interlocutory character of the appeal." (A.73). Under the *Holmes* case, questions of liability — as for example for attorney fees — are not final and reviewable until the amount of damages are ascertained. In response, Defendants advised the Fifth Circuit that the only questions to be presently considered were validity and infringement and that all other questions relating to the awards for damages and attorney fees would be reserved. Thereafter, the Fifth Circuit specifically noted that "the issue of damages . . . was severed" (708 F.2d at 154; A.79-80) and that the question of attorney fees was "waived . . . leaving that issue to be considered with the second phase of the bifurcated trial."

(708 F.2d at 154 n. 1; A.80). The only questions considered by the Fifth Circuit were validity (708 F.2d at 154-156; A.80-83) and infringement by "*Wilco's* marsh buggy" concluding that "*Wilco's* models infringe the Rivet patent". (708 F.2d at 156; A.84). (Emphasis added). No questions concerning willfulness, inducing infringement, exceptional case, or liability for pecuniary damages, attorney fees, or increased damages by the Wilsons, the individual Defendants, were considered.

(3) Certainly, the issue of personal liability of the individual Defendants was not expressly discussed by the Fifth Circuit. Because the questions of liability — both corporate and individual — for attorney fees and increased damages were expressly reserved, the personal liability of the individual Defendants for those damages were not ascertained either expressly or by necessary inference by the Fifth Circuit. Because the facts (Fact Findings 52-64; 561 F.Supp. at 518-19; A.39-41) underlying a determination of personal liability of the individual Defendants are the same for all issues of damages — pecuniary, increased, and attorney fees — it is clear that the only "necessary inference" is that none of these issues were considered or decided by the Fifth Circuit. As a matter of policy, the issues of liability — who is to pay — should naturally be considered along with the questions of damages — how much to pay. *See, Paeco, Inc.* v. *Applied Moldings, Inc.*, 562 F.2d 870, 878-80 (3rd Cir. 1977); *Saf-Gard Products, Inc.* v. *Service Parts, Inc.*, 532 F.2d 1266, 1273 (9th Cir. 1976). 16 Wright, Miller & Cooper, *Federal Practice and Procedure: Jurisdiction*, § 3928, at 132 (1977).

Accordingly, the Federal Circuit's *sua sponte* determination that the issue of personal liability of the Wilsons had been considered and decided by the Fifth Circuit is in error. As it did in the erroneous opinion in *Smith* underlying Petition No. 84-1995 to this Court, the Federal Circuit has applied the doctrine of law of the case to matters that could have been, but were not

decided, on the prior interlocutory appeal. But *res judicata* has no application to subsequent decisions in pending proceedings. The opinions in *Smith* and *Wilco* are dangerous precedents for a court of national authority to set. The 507 district judges bound under *stare decisis* by these decisions will be forced either to resolve conflicting procedural precedents as between the Federal Circuit and the respective regional circuit to which the district court also owes allegiance or to apply different principles of federal procedure depending upon the substantive issues presented. District judges should not be placed in such a quandary. Law of the case is a doctrine of general applicability that should be uniformly applied by all federal courts.

CONCLUSION

As in *Smith*, Petition No. 84-1995, the Federal Circuit has again misapplied the doctrine of law of the case. The Federal Circuit's opinions in this case and in *Smith* will be binding on each of this nation's 507 district judges. The instructions given those judges are contrary to the directives of this Court and will unnecessarily complicate the presentation of evidence and arguments in interlocutory proceedings. For all of the reasons set forth, the Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that three (3) true and accurate copies of the Petition For a Writ of Certiorari To The United States Court of Appeal For the Federal Circuit and accompanying Appendix on behalf of Petitioners Wilco Marsh Buggies and Draglines, Inc. John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr. were mailed to opposing counsel of record on this the ..... day of August, 1985.

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[761 F.2d 649]

KORI CORPORATION, HUEY J. RIVET, and LOUIS WOODSON,

Appellees,

v.

WILCO MARSH BUGGIES AND DRAGLINES, INC., JOHN M. WILSON, SR., DEAN R. WILSON, and ROBERT J. WILSON, JR.

Appellants,

Appeal No. 84-1143.

UNITED STATES COURT OF APPEALS, FEDERAL CIRCUIT

May 2, 1985.

Action was brought for infringement of patent No. 3,842,785, for an invention entitled "Amphibious Marsh Craft," and individual and corporate defendants alleged in counterclaim that patent was invalid. The United States District Court for the Eastern District of Louisiana, Robert F. Collins, J., 561 F. Supp. 512, entered judgment for plaintiffs, and defendants appealed. The Court of Appeals, 708 F.2d 151, affirmed the judgment as to the liability portion of the bifurcated bench trial and transferred the damages portion to the Federal Circuit Court of Appeals. The Court of Appeals, Rich, Circuit Judge, held that: (1) plaintiff corporation, which was exclusive sublicensee, was entitled to be compensated on the basis of its ability to exploit the patent; (2) district court properly awarded damages based on sublicensee's lost profits for infringing sales and rentals of corporate defendant infringer's machines; (3) district court properly used infringer's profits to estimate sublicensee's lost profits; (4) district court properly awarded damages based on entire market value of infringing machines, rather than on portion of machines that included patented structure; (5) discretion was not abused in doubling pecuniary damage award as exemplary damages; (6) discretionary award of attorney fees and costs in the amount of $78,943.51 was proper; and (7) decision

of Fifth Circuit, affirming decision of district court that individual defendants were jointly liable for damages with corporate defendant, constituted the "law of the case" and, thus, would not be reconsidered.

Affirmed.

1. **Patents: 312(6)**

In patent infringement action, finding of fact in district court's liability opinion that corporation was a nonexclusive sublicensee under patent in question was either a "slip of the pen" or was clearly erroneous, in that counsel for infringer stipulated in a pretrial order to fact that corporation was an exclusive sublicensee, and district court, in its damages opinion, had indicated that patentee had granted an exclusive license to corporation.

2. **Patents: 213**

In patent infringement action, exclusive sublicensee under patent was entitled to be compensated on the basis of its ability to exploit the patent. 35 U.S.C.A. § 284.

3. **Patents: 318(1)**

When a patent holder would have made the sale of a product "but for" the infringement, award of his lost profits is proper. 35 U.S.C.A. § 284.

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4. **Patents: 318(1)**

When parties involved in patent infringement action are only suppliers in market, lost profits are a particularly appropriate measure of damages. 35 U.S.C.A. § 284.

5. **Patents: 318(1)**

In patent infringement action, district court properly awarded damages based on exclusive sublicensee's lost profits for infringing sales and rentals of patent infringer's machines, in that district court found that, from a buyer's prospective, only acceptable substitute for sublicensee's patented machines were the infringing machines and, thus, that sublicensee would have sold or rented the machines built by infringer were it not for the infringement. 35 U.S.C.A. § 284.

6. **Patents: 312(10)**

Improving damages in a patent infringement action, patent owner's burden of proof is not absolute, but rather one of reasonable probability. 35 U.S.C.A. § 284.

7. **Patents: 319(1)**

In patent infringement action, district court is free to use its discretion in choosing method for calculating damages, as long as measure of damages is just and reasonable. 35 U.S.C.A. § 284.

8. **Patents: 318(3)**

Where patentee could establish he would have made sales of patented products, but for fact that infringer made them, infringer's profits were properly looked at for comparison purposes with patentee's proof of his lost profits. 35 U.S.C.A. § 284.

9. **Patents: 318(3)**

In patent infringement action, district court properly used infringer's profits to estimate exclusive sublicensee's lost profits, in that evidence indicated sublicensee's percentage gain on sale and rental of infringing units would have been substantially similar to infringer's percentage gain and that sublicensee would have had lower overhead expenses. 35 U.S.C.A. § 284.

10. **Patents: 318(3)**

In a patent infringement action, any risk of uncertainty in the calculation of patentee's lost profits is upon infringer rather than upon patentee. 35 U.S.C.A. § 284.

11. **Patents: 319(1)**

Ultimate factor in determining whether nonpatented features of a machine should be included in calculating compensation for infringement is whether patentee or its licensee can normally anticipate sale of unpatented components together with patented components. 35 U.S.C.A. § 284.

12. **Patents: 319(1)**

In patent infringement action, district court properly awarded damages based on entire market value of infringing machines, rather than on portion of machines that included patented structure, in that district court found no evidence that unpatented portion had been or could be used independently of patented portion. 35 U.S.C.A. § 284.

13. **Patents: 324.55(5)**

In a patent infringement action, finding of willful infringement is a finding of fact; therefore, review by the Federal Circuit Court of Appeals is limited to deciding whether that finding is clearly erroneous. Fed. Rules Civ. Proc. Rule 52(a), 28 U.S.C.A.

14. **Patents: 319(3)**

Conclusory account of infringer's counsel's aspirations for winning patent infringement action without any supporting reasons did not constitute "authoritative opinion" upon which good-faith reliance on invalidity of patent could be founded, so that discretion was not abused by district court in patent infringement action by doubling the pecuniary damage award as exemplary damages. 35 U.S.C.A. § 284. (See publication Words and Phrases for other judicial constructions and definitions.)

15. **Patents: 325.11(3)**

In action in which patent infringement was found to be willful, discretionary award of attorney fees and costs in the amount of $78,943.51 was proper. 35 U.S.C.A. § 285.

16. **Courts: 99(1)**

Issues decided at an early stage of litigation, either explicitly or by necessary [Page 651] inference from the disposition, constitute the "law of the case." (See publication Words and Phrases for other judicial constructions and definitions.)

17. **Courts: 99(1)**

Under the doctrine of the "law of the case," courts should generally refuse to reopen what has been decided at an earlier stage of litigation.

18. **Courts: 99(1)**

Doctrine of the "law of the case" precludes reconsideration of an issue decided at an earlier stage of litigation unless one of three exceptional circumstances exists: evidence in subsequent trial is substantially different; controlling authority has since made contrary decision of law applicable to such issue; or decision was clearly erroneous and would work a substantial injustice.

19. **Courts: 96(1)**

Decision of the Fifth Circuit, affirming liability decision of district court that individual defendants were jointly liable for damages with corporate defendant for inducing infringement, constituted the "law of the case" and, thus, would not be reconsidered by Federal Circuit on appeal of damages portion of patent infringement action, since there was no showing that evidence for damages portion of action was substantially different from that of liability portion, that controlling authority had since made contrary decision of law applicable, or that Fifth

Circuit decision was clearly erroneous and would work a substantial injustice. 35 U.S.C.A. § 284.

Jeffrey W. Tayon, Butler & Binion, Houston, Tex., argued for appellants. With him on the brief was Ned L. Conley, Houston, Tex.

Nathan Greenberg, Greenberg & Dallam, Gretna, La., was on the brief for appellants.

Bernarr R. Pravel, Pravel, Gambrell, Hewitt & Kimball, Houston, Tex., argued for appellees. With him on the brief were James B. Gambrell, Charles C. Garvey, Jr., Charles M. Cox and Charles D. Simmons, Houston, Tex.

Before RICH, BENNETT, and BISSELL, *Circuit Judges*.

RICH, *Circuit Judge*.

This appeal is from the judgment of the United States District Court for the Eastern District of Louisiana (Judge Robert F. Collins) in the damages portion of a bifurcated bench trial, holding Wilco Marsh Buggies and Draglines, Inc., et al. (Wilco) liable for damages of $1,113,660.11 for infringement of U.S. Patent No. 3,482,785 ('785 patent). 561 F. Supp. 512, 217 USPQ 1302 (E.D. La. 1982).[1] The United States Court of Appeals for the Fifth circuit (Fifth Circuit) has already affirmed the judgment of the district court, holding the Kori Corporation et al. (Kori) '785 patent valid and infringed, 708 F.2d 151, 219 USPQ 286 (5th Cir. 1983), and on Wilco's motion, has transferred the damages portion of the bifurcated proceedings to this court. We affirm.

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[1] The F. Supp. report cited includes both the findings of fact and conclusions of law on both liability and damages and the memorandum opinion on damages only. The USPQ report contains only the memorandum opinion. As will appear, this appeal is limited to damages.

Background

Kori Corporation is an exclusive sub-licensee under the '785 patent. The '785 patent was originally issued to Huey J. Rivet on October 22, 1974, for an invention entitled "Amphibious Marsh Craft." Rivet subsequently granted Louis J. Woodson, whose family owns Kori Corporation, an exclusive license under the '785 patent. Woodson then granted an exclusive sub-license to Kori Corporation.

The '785 patent concerns an improved pontoon-type endless-track amphibious vehicle which will operate in swamps. The patented improvement relates primarily to the vehicle's ability to carry heavy equipment through obstruction-ridden, tree [Page 652] stump-studded swamps. Previously, marsh craft of this type were suited only for hauling equipment through open marshes, frequently broke down, and required the use of huge timber mats ("matting") to support earthmovers in order to clear away tree stumps when it was necessary to venture into the swamps. The marsh craft developed by Rivet was structurally stronger and more watertight than earlier marsh craft, and was capable of traversing stump-dotted swampland without matting or preclearing.

Robert J. Wilson, Sr., learned the design details of the Rivet pontoon when he worked for Rivet during 1974 as a contract welder. After completion of his welding contract with Rivet, Wilson began building Rivet-type pontoons for defendant Wilco Marsh Buggies and Draglines, Inc., a corporation formed and owned by his three sons, defendants-appellants John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr. Wilco bought a Rivet craft, obtained a copy of the '785 patent, and began making and selling a vehicle strikingly similar to the Rivet amphibious marsh craft manufactured by Kori.

Rivet, Woodson, and Kori filed this suit against Wilco and the Wilson brothers, seeking injunctive relief and damages for

patent infringement. The district court issued separate decisions on the issues of liability and damages. In its liability decision, the district court held that the '785 patent was valid and infringed, and that the defendants, by actively inducing infringement of the '785 patent, were liable as infringers. 561 F. Supp. at 521-22. The Fifth Circuit affirmed on June 27, 1983.

Decision Below

After its initial decision on liability, the district court issued its separate memorandum opinion on damages on August 30, 1982, deciding four issues: pecuniary damages, prejudgment interest, attorney fees, and exemplary damages. 561 F. Supp. at 523, 217 USPQ at 1302.

The district court awarded Kori pecuniary damages of $516,803.30, calculating damages on the basis of profits lost because of defendants' sales of infringing units for use outside the United States and profits lost on rental of infringing units within the United States. Lost profits were calculated at $379,497, based on defendants' sale of six machines. The court also determined that lost rental profits amounted to $137,311.30, based on the defendants' profits for 4850 hours rental at a profit of $28.31 per hour.

The district court concluded that prejudgment interest should not be awarded because the record was not clear with regard to the date or dates from which interest should run. However, the court noted that it would consider the fact that plaintiffs should be compensated for the delay in receiving the lost profits owed to them in determining whether to impose exemplary damages. The court also awarded plaintiffs $50,000.00 in attorney fees and $28,943.51 in costs.

Finally, pursuant to 35 USC 284, the district court doubled the pecuniary damage award to $1,033,616.60. The court found that defendants willfully and deliberately infringed, having copied the essential parts of the amphibious craft, knowing it to

be patented, and having no good faith belief that the patent was invalid. The court noted that the defendants willfully copied the invention of the '785 patent without soliciting the advice of counsel, and only sought the advice of a qualified patent attorney after plaintiffs had brought suit to enforce the patent. In determining the amount of exemplary damages, the court considered the fact that the actual pecuniary damages it had calculated were not "sufficient to fully compensate plaintiffs," and included the portion of damages which the court found it had been unable to determine exactly, including prejudgment interest.

OPINION

In pertinent part, 35 USC 284 provides that "the court shall award the claimant damages adequate to compensate for the infringement but in no event less than [Page 653] a reasonable royalty for the use of the invention by the infringer . . . ." In *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 507, 141 USPQ 681, 694 (1964), the Supreme Court said that a patent holder's damages

> have been said to constitute "the difference between his pecuniary condition after the infringement, and what his condition would have been if the infringement had not occurred." . . . The question to be asked in determining damages is "how much had the Patent Holder and Licensee suffered by the infringement. And that question [is] primarily: had the Infringer not infringed, what would Patent Holder-Licensee have made?". . . . [Citations omitted.]

See also General Motors Corp. v. *Devex Corp.*, 461 U.S. 648, 217 USPQ 1185 (1983).

The district court found that Wilco built at least twelve infringing machines. Kori sought to base damages on the profit derived from Wilco's sale of six of these machines, as well as

profits from Wilco's rental of other infringing units. Wilco contended that a reasonable royalty was the appropriate measure of damages.

Reasonable Royalty

Wilco's argument that Kori is entitled only to a reasonable royalty is grounded on the assertion, based on the district court's Finding of Fact No. 8, that Kori Corporation is merely a non-exclusive licensee. Finding of Fact No. 8, in the district court's liability opinion, reads: "Plaintiff Kori Corporation . . . is named as a non-exclusive sub-licensee under the patent in suit." 561 F. Supp. at 515. However, counsel for Wilco stipulated to the fact that Kori Corporation was an "exclusive sub-licensee" in a pre-trial order. Moreover, in its damages opinion, the district court indicated that Rivet had granted an "exclusive license to Louis Woodson and Kori Corporation." 561 F. Supp. at 524, 217 USPQ at 1304.

The record before this court on appeal includes all original papers filed in the district court, including pre-trial orders. Fed. R. App. P.10(a). United States Court of Appeals for the Federal Circuit Rule 11. The district court's Finding of Fact No. 8, that Kori is a "non-exclusive sub-licensee," is either a "slip of the pen" or is clearly erroneous. Wilco's argument that a reasonable royalty is the proper measure of damages is therefore based on an erroneous assumption. Kori is entitled to be compensated on the basis of its ability to exploit the patent. *See Bio-Rad Laboratories* v. *Nicolet Instrument Corp.*, 739 F.2d 604, 616, 222 USPQ 654, 663 (Fed. Cir. 1984).

Lost Profits

When a patent holder would have made the sale of a product "but for" the infringement, the award of his lost profits is proper. *Paper Converting Machine Co.* v. *Magna Graphics Corp.*, 745 F.2d 11, 21, 223 USPQ 591, 598 (Fed. Cir. 1984);

Bio-Rad, 739 F.2d at 616, 222 USPQ at 663. Moreover, when the parties involved in an action are the only suppliers in the market, lost profits are a particularly appropriate measure of damages. *Lam, Inc.* v. *Johns-Manville Corp.* 718 F.2d 1056, 1065, 1068, 219 USPQ 670, 675, 678 (Fed. Cir. 1983).

The district court found that Kori would have sold or rented the machines built by Wilco were it not for Wilco's infringement. Although Wilco argued that there were non-infringing substitutes available, the district court's conclusion was based on findings that Wilco "directly competed" for the sale of these machines with Kori, and that "from a buyer's perspective, the only acceptable substitute for the patented Kori machines were the infringing machines." 561 F. Supp. at 526, 217 USPQ at 1306. The court therefore properly awarded damages based on Kori's lost profits for the infringing sales and rentals of Wilco's machines.

In proving damages, the patent owner's burden of proof is not absolute, but rather one of reasonable probability. *Lam, Inc.* v. *Johns-Manville,* 718 F.2d at 1065, 219 USPQ at 675. The district court [Page 659] is free to use its discretion in choosing a method for calculating damages, as long as the measure of damages is just and reasonable. *Story Parchment Co.* v. *Paterson Parchment Co.,* 282 U.S. 555, 563 (1931); *Paper Converting,* 745 F.2d at 22, 223 USPQ at 599; *Lam, Inc.* v. *Johns-Manville,* 718 F.2d at 1065, 219 USPQ at 675.

The district court accepted Kori's expert's calculations of Wilco's profits of $379,497 on the six infringing machines. The court also awarded Kori its lost profits of $137,311.30 calculated on the basis of Wilco's rental of infringing machines. Wilco does not dispute these figures, but instead challenges the propriety of using its (Wilco's) profits to estimate Kori's lost profits.

The district court found evidence of Wilco's profits to be a reasonable estimate of the profits Kori would have earned had it made the sales. *Kori,* 561 F.Supp. at 528, 217 USPQ at 1307-08.

See also 561 F.Supp. at 530, 217 USPQ at 1309. Wilco asserts that this finding amounted to an award of their (Wilco's) profits *per se*. Kori contends, however, that the district court used Wilco's profits only as a "yardstick" to measure Kori's lost profits.

Prior to 1946, the patent laws provided for recovery of both the patentee's damages and the infringer's profits. R.S. 4921 provided that "the complainant shall be entitled to recover, *in addition* to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby . . ." (emphasis added). This arguably implied that the successful plaintiff would have been placed in a better position than he would have been if the infringer had not infringed because, in addition to being able to recover his own damages (thereby placing him in the position he would have been without the infringement), the old statute allowed the patentee to force the infringer to "disgorge" any profits the defendant may have earned as well. The 1946 amendment to the damages provisions effectively eliminated this double recovery. After the 1946 amendment (Act of August 1, 1946, ch. 726, 60 Stat. 778, 35 USC 70), R.S. 4921 provided that "the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor . . ." However, the omission of the language providing for recovery of the infringer's profits should not be construed to mean that an infringer's profits cannot be considered in estimating plaintiff's damages.[2]

The legislative history of the 1946 amendments clearly indicates that one of its purposes was to eliminate the necessity of

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[2] "General damages" may be distinguished from "damages" in the traditional sense. The term "damages" was formerly defined by the Supreme Court as "what the owner of the patent loses by such infringement" in *Duplate Corp.* v. *Triplex Co.*, 298 U.S. 448, 451, 29 USPQ 306, 308 (1936), where the Court also said, "what the infringer makes is profits."

the traditional accounting to determine the infringer's profits in all damages determinations, and to deter the use of such proceedings by successful patentees to harass the infringer. *See, e.g.*, H.R. Rep. No. 1587, 79th Cong., 2d Sess. (1946), adopted as the report of the Senate Committee on Patents, S. Rep. No. 1503, 79th Cong., 2d Sess. (1946), at 2; *reprinted in* U.S. Code Congressional Service (1946) at 1386-87:

> The object of the bill is to make the basis of recovery in patent-infringement suits general damages, that is, any damages the complainant can prove, not less than a reasonable royalty, together with interest from the time infringement occurred, rather than profits and damages.
>
> Although the bill would not preclude the recovery of profits as an element of damages, yet by making it unnecessary to have proceedings before masters and empowering equity courts to assess general damages irrespective of profits, the measure represents legislation which in the judgment of the committee is long overdue.

[Page 655]

However, evidence of an infringer's profits may be relevant to the amount of patentee's damages in certain circumstances. Here, where the patentee can establish that he would have made the sales of the patented products, but for the fact that the infringer made them, the infringer's profits were properly looked at for comparison purposes with the patentee's proof of his lost profits.

By the Patent Act of 1952, the former provisions of R.S. 4919 and 4921 relating to damages were combined in § 284. *See* the Reviser's Note reproduced in 35 U.S.C.A. following § 284 and P. J. Federico's "Commentary on the the New Patent Act" at 56.

In *Aro*, supra, the Supreme Court cited three cases in support of its statement that "it is clear that under the present statute only damages are recoverable." 377 U.S. at 506, 141 USPQ at 694. In the first case, *Ric-Will Co.* v. *E.B. Kaiser Co.*, 179 F.2d

401, 407, 84 USPQ 121, 126-127 (7th Cir.), *cert. denied*, 339 U.S. 958, 85 USPQ 526 (1950), the Seventh Circuit noted that "profits realized by an infringer are not recoverable as such." However, said the court: " 'General damages' is a broad term which no doubt may include numerous elements depending upon the circumstances of the case. And whether an infringer's profits is an element of such damages depends upon the facts of each individual case." In the second case cited by the Court, *Livesay Window Co.* v. *Livesay Industries, Inc.*, 251 F.2d 469, 472, 116 USPQ 167, 169 (5th Cir. 1958), the Fifth Circuit said: "Profits, as such, are not recovered . . . . The profit is but the true measure of that which infringement has taken from the patent owner . . . ." The master in the *Livesay* case calculated damages by ascertaining the total dollar sales of the infringer, multiplying that by licensee-claimant's profit rates, and then adding a 6 percent royalty which the licensee was paying the patentee. Defendant-infringer's contention that the award should have been limited to a reasonable royalty was rejected. Similarly, in the third case cited, *Laskowitz* v. *Marie Designer, Inc.*, 119 F. Supp. 541, 555, 100 USPQ 367, 376 (S.D. Cal. 1954), the district court conceded that "[t]he profits of the infringer may be the measure, when no other is adequate . . . . In ascertaining damages, the object has always been to approximate, as nearly as possible, the *actual loss* suffered by the patentee."

Thus, although the Court in *Aro* said that only "damages" are recoverable under the patent statute, the legislative history of the 1946 amendments and the cases cited in *Aro* show that, under proper circumstances, an infringer's profits may be considered in establishing a patent holder's general damages, that is, "damages adequate to compensate for the infringement." 35 USC 284.

In the present case, the district court considered evidence submitted by Kori which indicated that Kori's percentage gain on

the sale and rental of infringing units would have been substantially similar to Wilco's percentage gain, and also considered evidence that Kori would have had lower overhead expenses. Rather than increase its estimate of Kori's lost profits based on Kori's possibly lower overhead expenses, the court found in Wilco's profit margin a reasonable approximation of Kori's lost profits. Thus, although Kori is not entitled to an award of Wilco's profits *per se*, the district court did not err in this case in using Wilco's profits to estimate Kori's lost profits. Wilco is not entitled to any higher level of certainty in calculation of Kori's lost profits. Fundamental principles of justice require us to throw any risk of uncertainty upon the wrongdoer rather than upon the injured party. *Story Parchment*, 282 U.S. at 563. Considering that the court did not use its full discretionary authority in increasing the amount of the damage award, we conclude that the court's overall determination was reasonable.

Finally, Wilco contends that the district court erred in calculating damages based on the entire cost of the amphibious marsh craft, rather than on the portion of [Page 656] the machines that includes the patented pontoon structure. The district court applied the "entire market value rule" and declined to apportion the damages between the value of the unpatented and patented features of the machines sold and rented. In *Paper Converting*, this court explained the "entire market value rule" as allowing "the recovery of damages based on the value of an entire apparatus containing several features, even though only one feature is patented." 745 F.2d at 22, 223 USPQ at 599. The United States Court of Claims[3] stated that under the "entire market value rule" it is the "financial and marketing dependence on the patented item under standard marketing procedures" which

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[3] This court has adopted the body of law established by its predecessor courts, The United States Court of Claims and the United States Court of Customs and Patent Appeals. *South Corp.* v. *United States*. 690 F.2d 1368, 215 USPQ 657 (Fed. Cir. 1982).

determines whether the non-patented features of a machine should be included in calculating compensation for infringement. *Leesona Corp.* v. *United States*, 599 F.2d 958, 974, 202 USPQ 424, 439 (Ct. Cl. 1979). The ultimate determining factor is whether the patentee or its licensee can normally anticipate the sale of the unpatented components together with the patented components. *Paper Converting*, 745 F.2d at 23, 223 USPQ at 599; *Tektronix, Inc.* v. *United States*, 552 F.2d 343, 351, 193 USPQ 385, 393 (Ct. Cl. 1977).

The district court found "no evidence that the unpatented heavy uppers [of the amphibious marsh craft] have been or could be used independently of the patented pontoon structure." 561 F. Supp. at 530, 217 USPQ at 1309. Kori would therefore have normally anticipated the sale of an entire machine, including both the patented and unpatented components. Accordingly, the district court properly awarded damages based on the entire market value of the infringing machines.

Exemplary Damages

In pertinent part, 35 USC 284 provides: "[T]he court may increase the damages up to three times the amount found or assessed." The district court determined that defendants' infringement was willful and doubled its award of pecuniary damages to $1,033,616.60.

A finding of willful infringement is a finding of fact. Our review, therefore, is limited to deciding whether that finding is clearly erroneous. Fed. R. Civ. P. 52(a); *Central Soya Co.* v. *Geo. A. Hormel & Co.*, 723 F.2d 1573, 1577, 220 USPQ 490, 493 (Fed. Cir. 1983); *Underwater Devices, Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380, 1389, 219 USPQ 569, 576 (Fed. Cir. 1983).

The finding of willful infringement in this case was based on defendants' failure "to establish good faith reliance upon an

authoritative opinion of invalidity" from counsel before beginning to manufacture the infringing units. 561 F. Supp. at 533, 217 USPQ at 1311. Wilco argues that a letter sent to Marine Contractors Company, a potential customer, by their original defense counsel in this infringement suit constitutes "confirmation by counsel of the invalidity of the ['785] patent prior to the infringing sales and rentals for which plaintiff seeks damages." The letter was written after this infringement suit was commenced by Kori, recounts that Wilco has challenged the validity of Kori's patent in the litigation, and included a statement by Wilco's counsel that says "I have every reason to believe that the validity of the aforesaid patent cannot be maintained and that it will be declared to be null and void by the court handling the litigation." Such a conclusory account of defense counsel's aspirations for winning an infringement suit without any supporting reasons does not amount to an "authoritative opinion" upon which a good faith reliance on invalidity may be founded. *Central Soya*, 723 F.2d at 1577, 220 USPQ at 492. The district court considered this evidence and concluded that Wilco had willfully infringed, with no good faith belief that the patent was invalid. Wilco has failed to show that the district court's finding of willful in [Page 657] fringement was clearly erroneous. Accordingly, it did not abuse its discretion in doubling the pecuniary damage award as exemplary damages.

Attorney Fees and Costs

"The Court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 USC 285. Having found this to be a case of willful infringement, the district court's discretionary award of attorney fees and costs in the amount of $78,943.51 was proper. No showing has been made that the award was an abuse of discretion.

Liability of Individual Defendants

Wilco appeals the district court's denial of its motion to dismiss the case against the individual defendants. In a memorandum opinion denying the motion, the court held the individual defendants jointly liable for damages with the corporate defendant for inducing infringement. *See also* the district court's published liability opinion, 561 F. Supp. at 522 (Conclusion of Law No. 23). The court relied on the Fifth Circuit decision in *Mead Johnson & Co.* v. *Baby's Formula Service, Inc.*, 402 F.2d 19, 23, 159 USPQ 328, 331 (1968), holding the individual defendants liable because they controlled and directed the acts of the corporation.

The district court's decision denying Wilco's motion to dismiss was part of its original decision of liability. The Fifth Circuit has already affirmed the district court's liability decision in all respects. 708 F.2d at 156, 219 USPQ at 289. Issues decided at an earlier stage of litigation, either explicitly or by necessary inference from the disposition, constitute the law of the case. *See* 1 J. MOORE, FEDERAL PRACTICE ¶0.404[1], n.15 (1984).

The law of the case doctrine is that courts should generally "refuse to reopen what has been decided." *Messenger* v. *Anderson*, 225 U.S. 436, 444 (1912). The doctrine precludes our reconsideration of the Fifth Circuit's liability decision unless one of three "exceptional circumstances" exists: the evidence in a subsequent trial was substantially different; controlling authority has since made a contrary decision of law applicable to such issues; or the decision was clearly erroneous, and would work a substantial injustice. *Central Soya*, 723 F.2d at 1580, 220 USPQ at 495.

Wilco has presented no evidence that any of the three "exceptional circumstances" exists in this case. The decision of the Fifth Circuit holding the individual defendants liable therefore stands.

Conclusion

The decision of the district court on the accounting is in all respects *affirmed*.

AFFIRMED

MINUTE ENTRY
November 26, 1980
COLLINS, J.

KORI CORPORATION and HUEY J. RIVET	CIVIL ACTION
VERSUS	No. 79-3636
WILCO MARSH BUGGYS and DRAGLINES, INC., ET AL.	SECTION "C"

This matter came on for hearing on November 26, 1980 on motion of defendant to Dismiss Individual Defendants as of Improper Joinder.

WHEREFORE, after consideration of the submitted memoranda, the arguments of counsel, relevant facts and the applicable law, the motion is hereby DENIED.

/s/ Robert F. Collins
UNITED STATES DISTRICT JUDGE

REASONS

Plaintiffs have filed this action against defendant corporation and three individual defendants, who are officers, shareholders and/or directors of the corporation. The complaint alleges that the individual defendants, individually and in concert have engaged in acts of infringement and conspired as a group with the corporate defendant to effect infringement upon plaintiff's patent, pursuant to the provisions of 35 U.S.C. 271 (1952). Defendant opposes the joinder of the three individual defendants, John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr. (hereinafter "the Wilsons") on the grounds that the corporation, and not the individual defendants, is the vendor of the allegedly infringing equipment, and that thus, the Wilsons

[Marked as entered on the Record on December 2, 1980]

are not liable for corporate debts simply because they are officers, directors and/or stockholders of defendant corporation. Plaintiffs oppose defendants' motion based on their position that liability for patent infringement against the Wilsons is based on their individual, specific acts as infringers and not on vicarious liability or under the doctrine of corporate alter ego.

Defendants cite the cases of *L. L. Ridgway Co.* v. *Marks*, 146 So.2d 61 (La. App. 1962) and *Smith* v. Moore, 347 So.2d 316 (La. App. 1977) to support their position that the Wilsons are not liable for the alleged infringement in this matter. However, as correctly noted by plaintiffs, these causes of actions were based on *state contract* law and not on federal patent infringement law under 35 U.S.C. § 271, the jurisdictional basis for the case at hand. The *Smith* holding, that absent fraud, shareholders do not share corporate liability, cannot control in this case, due to the existence of significantly different causes of action.

The determination of personal liability for patent determination under Section 271 is based on the individual's separate and independent liability for his (or their) own, specific acts of infringement. Liability is thus joint and several. As stated in *Timely Products Corp.* v. Arron, 303 F.Supp. 713 (D.C. Conn. 1969): "Where a corporation may be found liable for patent infringement, officers of corporation may also be jointly liable as individuals for actively inducing infringement." This Court agrees, in keeping with the following statement in *Superior Testers, Inc.* v. *Damco Testers, Inc.*, 315 F.Supp. 934 (D.C. La. 1970):

> It is doubtless true that 'being an officer of a corporation does not of itself make the officer personally liable for [the corporation's] infringements.' When however, the corporate officer has played the primary role in organizing and managing the corporation and has directed the manufacture and sale of the infringing devices, courts have found him jointly liable. 315 F.Supp. at 935. (citations omitted)

This holding was based on the statutory language of Section 271, that: "Whoever actively induces infringement of a patent shall be liable as an infringer."

Extended discussion of this issue is unnecessary. This notion of joint and several liability vis-a-vis the corporation and its individual officers, directors and/or shareholders, has been endorsed by the Fifth Circuit in *Mead Johnson Co.* v. *Baby's Formula Service, Inc.*, 402 F.2d 19 (5th Cir. 1968) a trademark infringement case, as follows:

> There can be no doubt but that a trademark, like a patent, can be infringed by an individual. It is infringed when an individual performs the act or does the things that the patent or trademark law protects against. The fact that the persons thus acting are acting for a corporation also, of course, may make the corporation liable under the doctrine of respondeat superior. It does not relieve the individuals of their responsibility. 402 F.2d at 23.

See also White v. *Mar-Bel, Inc.*, 509 F.2d 287 (5th Cir. 1975).

The issue whether, and to what extent, the Wilsons actively induced the alleged infringement in this case is a factual one, not to be determined at this time. Obviously however, such determination cannot be made if the Wilsons are dismissed.

For the foregoing reasons, defendants' request cannot be granted.

[Initialled "RFC"]

[561 F.Supp. 512]

KORI CORPORATION and HUEY J. RIVET

v.

WILCO MARSH BUGGIES AND DRAGLINES, INC., JOHN M. WILSON, SR., DEAN R. WILSON, and ROBERT J. WILSON, JR.

Civ. A. No. 79-3636.

UNITED STATES DISTRICT COURT, E.D. LOUISIANA

Dec. 11, 1981.

On Damages Aug. 30, 1982.

Plaintiffs brought an action alleging infringement by defendants of patent No. 3,842,785, entitled "amphibious marsh craft," and defendants counterclaimed alleging that the patent was invalid. The District Court, Robert F. Collins, J., held that: (1) the patent satisfied the separate tests of novelty, utility, and nonobviousness and was valid; (2) defendants were willful infringers of the patent where they copied essential parts of the patented amphibious craft, knowing it to be patented and had no good-faith belief that the patent was invalid; (3) plaintiffs were entitled to pecuniary damages for the lost profits on the infringing machine sold for use outside of the United States, and for lost rental profits on infringing units which defendants rented for a profit; (4) plaintiffs were not entitled to prejudgment interest; (5) plaintiffs were entitled to an award of reasonable attorney fees and costs; and (6) plaintiffs were entitled to exemplary damages consisting of doubling the pecuniary damages awarded.

Judgment for plaintiffs.

1. **Patents: 112.1, 312(1, 4)**

Plaintiffs in action alleging infringement of a patent pertaining to amphibious marsh craft had burden of proof to establish, by preponderance of the evidence, that defendants' manufacture, use, and sale of amphibious craft infringed any of the claims of plaintiffs' patents; the patent was presumed valid,

and burden of establishing invalidity of the patent or any claim thereof rested with defendants. 35 U.S.C.A. § 1 et seq.

2. **Patents: 16.22**

Patent No. 3,842,785, for an invention entitled "amphibious marsh craft," which concerned improved pontoontype endless track vehicle which will work in a swamp environment, satisfied separate tests of novelty, utility, and nonobviousness and was valid. 35 U.S.C.A. §§ 101-103.

3. **Patents: 16(3)**

An invention is patentable provided subject matter sought to be patented and prior art are such that the subject matter as a whole would not have been obvious at time the invention was made to a person having ordinary skill in the art to which said subject pertains. 35 U.S.C.A. § 103.

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4. **Patents: 26(2)**

Test of nonobviousness of a patent is not whether individual elements were obvious at time of the invention but whether combination as a whole produced a new and different result which was not obvious. 35 U.S.C.A. § 103.

5. **Patents: 26(1¼)**

A combination is not rendered unpatentable by existence of its various elements separately in the prior art.

6. **Patents: 72(1)**

Anticipation is a technical defense in patent validity action which must meet strict standards; unless all same elements are found in substantially same situation and united in the same way to perform identical function in a single prior art reference, there is no anticipation. 35 U.S.C.A. §§ 101-103.

7. **Patents: 157(1)**

Patents are to be liberally construed so as to uphold and not destroy inventor's rights. 35 U.S.C.A. § 271.

8. **Patents: 226, 226.7, 237**

One form of patent infringement occurs when an accused device incorporates a teaching literally read; infringement also occurs when a device appropriates a prior invention by incorporating its innovative concept and, albeit with some modification and change, performs substantially the same function in substantially the same way to achieve substantially the same result; "doctrine of equivalent" shields inventor from such abuse. 35 U.S.C.A. § 271.

9. **Patents: 226.5**

Minor modification does not avoid infringement. 35 U.S.C.A. § 271.

10. **Patents: 325.11(3)**

Reasonable attorney's fees are awarded in patent infringement actions only in exceptional cases, as where defendant has willfully and deliberately infringed plaintiff's patent. 35 U.S.C.A. § 285.

11. **Patents: 317, 325.11(3)**

Patent No. 3,842,785, entitled "amphibious marsh craft," was willfully infringed by defendants where they copied essential parts of patented amphibious craft, knowing it to be patented and had no good-faith belief that the patent was invalid; patentee was entitled to an injunction and to award of reasonable attorney's fees. 35 U.S.C.A. §§ 271(b), 285.

12. **Patents: 227**

Belief by defendants of noninfringement or patent invalidity based upon careless disregard of the facts is not good-faith belief sufficient to negate conclusion that they have willfully infringed. 35 U.S.C.A. § 271.

On Damages

13. **Patents: 319(1)**

Reasonable royalty is only minimal standard used in computing damages for patent infringement; generally appropriate inquiry in determining amount of recovery is how much had patent holder and licensee suffered by the infringement, and it is only where patentee licensee fails to establish any pecuniary loss resulting from infringement that the court may resort to the reasonable royalty standard. 35 U.S.C.A. § 271.

14. **Patents: 318(4)**

In patent infringement action involving patent for an amphibious marsh craft, plaintiffs were entitled to pecuniary damages consisting of lost profits on infringing machines sold by defendants for use outside of the United States, measured by defendants' profits on sale of the infringing units, and to lost rental profits on infringing units which defendants rented for a profit. 35 U.S.C.A. § 271.

15. **Interest: 39(2)**

In patent infringement action, plaintiffs were not entitled to prejudgment interest in addition to lost profits damages in view of uncertainty as to the date when prejudgment interest should begin to run. 35 U.S.C.A. § 271.

16. **Patents: 325.11(3)**

In patent infringement action, plaintiffs were entitled to attorney fees and costs in the amount of $28,943. 35 U.S.C.A. § 271.

17. **Patents: 319(3)**

In patent infringement action, plaintiffs were entitled to exemplary damages [Page 514] consisting of doubling pecuniary damages awarded for lost profits on sales and rentals of infringing units, where defendants' conduct was intentional, willful,

and with reckless disregard of plaintiffs' patent rights. 35 U.S.C.A. § 271.

Thomas S. Keaty, New Orleans, La., for plaintiff.

Nathan Greenberg, Gretna, La., for defendants.

OPINION

ROBERT F. COLLINS, District Judge.

This case was tried before the Court, sitting without a jury, on February 2, 1981 through February 6, 1981. Oral arguments were heard on February 20, 1981. The case was then taken under submission. After careful consideration of the evidence adduced at trial, the arguments of counsel, the submitted memoranda and materials, the relevant facts and the applicable law, the Court, pursuant to the provisions of Fed. R. Civ. P.52, hereby makes the following FINDINGS OF FACT AND CONCLUSIONS OF LAW.

FINDINGS OF FACT

1.

The complaint in this action, filed September 20, 1979, alleges that:

(a) defendant Wilco Marsh Buggies and Draglines, Inc. is making, using, and selling "Amphibious Marsh Crafts" in the Eastern District of Louisiana in infringement of plaintiffs' United States Patent No. 3,842,785; and

(b) defendant Wilco Marsh Buggies and Draglines, Inc., through defendants, John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr., obtained by unfair business practices confidential information and trade secrets pertaining to the manufacture and wholesale, retail, and use of the "Amphibious

Marsh Craft" patented by Rivet U.S. Letters Patent 3,842,785 (hereinafter Rivet '785 patent).

2.

The complaint asks judgment of Seven Million and no/100 Dollars ($7,000,000.00), treble damages and interest, attorneys' fees, all costs and disbursements of the proceedings, all other just and equitable relief, injunctive relief against patent infringement and engaging in unfair trade practices, and a jury trial.

3.

Defendants answer, inter alia that:

(a) the patent in suit is invalid because it was issued in violation of the requirements of 35 U.S.C. §§ 101, 102(a) and 102(b);

(b) defendants do not infringe the patent in suit; and

(c) defendants did not obtain by unfair business practices confidential information and trade secrets belonging to plaintiffs pertaining to the subject matter of the patent in suit.

4.

Defendants counterclaim against plaintiffs alleging the following:

(a) the patent in suit was fraudulently procured in violation of 15 U.S.C. 1 *et seq.*;

(b) by attempting to assert rights under an illegal patent, plaintiffs have violated the anti-trust laws;

(c) the illegal actions of the plaintiffs have damaged defendants in the amount of $1,500,000.00, which defendants ask to be trebled pursuant to the anti-trust laws; and

(d) the allegations of obtaining trade secrets by unfair business practices have libeled defendants and entitled them to damages in accordance with law.

5.

Trial by jury has been waived by plaintiffs and defendants.

The Parties

6.

Plaintiff Huey J. Rivet is the inventor named in the patent in suit.

7.

Plaintiff Louis Woodson, by written instruments dated January 15, 1978 and November 11, 1979, is named as the exclusive licensee under the patent in suit and the assignee of an undivided one-half interest in the same patent, respectively. Both documents have been recorded in the United States Patent and Trademark Office.

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8.

Plaintiff Kori Corporation (hereinafter Kori), a Louisiana corporation, is named as a non-exclusive licensee under the patent in suit.

9.

Defendant Wilco Marsh Buggies and Draglines, Inc. (hereinafter Wilco) is a Louisiana corporation.

10.

Defendants John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr. are the sole shareholders of defendant Wilco.

The Patent In Suit

11.

The Rivet '785 patent was issued on October 22, 1974 to Huey J. Rivet for an invention entitled "Amphibious Marsh Craft" and will expire October 22, 1991.

12.

The Rivet '785 patent concerns an improved pontoon-type endless track vehicle which will work in a swamp environment, carrying heavy loads up to sixty tons over tree stumps and other foreign objects.

13.

The patent has never been adjudicated.

14.

The patent contains seven claims. Claim 1 describes an amphibious craft comprising: "a pair of space elongated pontoons, each pontoon comprising a primary buoyant closed wall structure, having a top and bottom and having a substantially uniform vertical height over at least half its length measured from rear to front; vertical bulkheads spaced along the length of said pontoons adding rigidity to the pontoon and defining a plurality of separate buoyant chambers within the pontoon; a plurality of spaced I-beams welded to the bottom of the pontoons transversely of the pontoons between said vertical bulkheads over the length of said pontoon; at least two primary channel means on the top and bottom of the pontoon; endless drive chains carried in each of said channel means; channel shaped drive cleats secured to and extending between said chains; plastic support blocks secured to the web of said cleats intermediate the drive chains and positioned to bear against the top and bottom of each pontoon; drive means for driving the

endless chains; and I-beam spacer means welded to said pontoons at the top and rigidly interconnecting said pontoons fore and aft in substantially parallel relation."

15.

Claims 2 to 5 of the patent in suit depend from claim 1 and contain all of its limitations.

16.

In addition to the limitations of claim 1, claim 2 contains further limitation of requiring a "secondary channel means intermediate said primary channel means on the pontoons running longitudinally along the top and bottom of each pontoon with the flanges directed outwardly, the area between said flanges on the channels being filled with a low coefficient of friction plastic material against which the plastic support blocks on said cleats will bear and slide."

17.

In addition to the limitations of claims 1 and 2, claim 3 contains the further limitations of requiring "said plastic support blocks are of a low coefficient of friction plastic."

18.

In addition to the limitations of claims 1, 2 and 3, claim 4 contains the further limitation of requiring "endless drive chain sprockets secured to shafts mounted proximate the top of each pontoon in a free floating bearing assembly said endless drive chains meshing with said sprockets and being drivingly connected to said drive means."

19.

In addition to the limitations of claims 1, 2, 3 and 4, claim 5 contains the further limitation of requiring that "said drive means is a separate hydraulic motor for driving the endless tracks of each pontoon."

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20.

Claim 6 is an independent claim which describes for use with an amphibious craft having a pair of spaced elongated pontoons over which pass endless track propulsion members having channel shaped driving cleats with the side flanges directed away from the pontoons: "an anti-friction load transfer system comprising at least one longitudinal channel member secured to the underside of the pontoon with its flanges directed away from the pontoons, an antifriction load transfer system comprising at least one longitudinal channel member secured to the underside of the pontoon with its flanges directed away from the pontoon, plastic filler between said flanges, and plastic support blocks secured to the back side of said cleats over the plastic filler in the longitudinal channels on the underside of the pontoons to provide a local bearing surface having a minimum coefficient of friction between the pontoon and driving cleats."

21.

In addition to the limitations of claim 6, claim 7 contains the further limitation of requiring "the plastic filler and plastic blocks are of the group of epoxy, teflon, nylon and propylene."

Background on the Development of Commercial Vehicles for Use in Marsh Lands

22.

The first amphibious craft of commercial utility in the marshes was patented by Frank Reynolds as U.S. Patent No. 2,546,523, issued August 20, 1947.

23.

In the 1940's and early 1950's, "Reynolds-type" marsh crafts were used solely for seismic work which included light work, such as the carrying of seismic survey crews into the Louisiana marsh in their hunt for oil and gas.

24.

During this same period, Hershal A. "Pug" Morris and Douglas T. Ritchie were among the early commercial users of marsh craft beginning the industry in Louisiana by manufacturing, leasing, and using devices based upon the Reynolds patent.

25.

A marsh craft was first used in pipeline construction in the early 1950's by Ritchie who placed a small dragline on a set of Reynolds-type pontoons and began doing light pipeline work in the treeless Louisiana marsh.

26.

The equipment produced by Ritchie and the equipment of similar marsh craft manufacturers, contractors, and users were restricted solely to the treeless marsh environment, because cyprus and tree stumps were very dangerous for the Reynolds-type marsh craft or "marsh buggies."

27.

None of the crafts manufactured by Ritchie from the 1940's to the early 1970's was capable of working in treed swamp and supporting heavy uppers which are used in pipeline construction.

28.

In about the early 1950's, Ritchie developed a marsh machine. He applied for a patent for that machine, but the patent application was denied.

29.

In attempting to solve the problems posed by stumpy swamp lands, Ritchie built smaller marsh machines and installed a backhoe on his machines. Even these machines, however, were unsuccessful in traversing tree stumped marsh lands.

30.

From the late 1940's, starting with the invention of the Reynolds marsh craft, until the early 1970's, the oil and gas industry sought to devise an effective method for digging a pipeline ditch in a treed swamp region.

31.

During this period, conventional earth moving equipment, such as backhoes, draglines, and the like, were mounted on timber mats and used to dig the pipeline by first clearing away tree stumps.

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32.

The matting of machines was a highly inefficient means for digging pipeline ditch, since machines had to be matted into the job site and matted out of the job site and could only move from

one spot to the next by transferring a mat to the location where the machine was next destined to move.

33.

The use of mats was hazardous to both equipment and operator, since the metal bottomed machines would become quite muddy and would often slip off of the mats if not expertly operated.

34.

The use of mats supporting conventional equipment was expensive and often resulted in the holding up of a job because mats would become damaged and replacement of these mats often took days or weeks.

35.

The use of Reynolds-type marsh craft to dig pipeline right-of-way in even a treeless marsh environment was so hard on these early machines that it was common practice to have two or three times the number of machines that normally would be required as backups when breakdowns occurred.

36.

The industry needed an amphibious craft which could operate in a swampy treed environment for long periods of time without excessive damage or breakdown and could support heavy upper machinery such as backhoes, hydraulic tree cutters, draglines and the like.

37.

As late as 1971, plaintiff Huey J. Rivet used mat machines on a long pipeline from Collins, Mississippi to Chalmette, Louisiana. When Rivet began to lose money on this job because his

matted machines and Reynolds-type amphibious crafts were constantly breaking down, he experimented with the Reynolds craft to create a machine that was capable of working for long periods of time, without excessive repairs, in a tree swamp environment while carrying the heavy uppers used in pipeline construction.

38.

Rivet applied for a patent on his "Amphibious Marsh Craft" and on October 22, 1974 he was issued United States Patent No. 3,842,785, which is the subject of this lawsuit. (See Findings of Fact No.14-No. 21, infra, for a more detailed description of the Rivet invention).

39.

The Rivet invention was designed to perform certain functions which no other machine, prior to the Rivet invention, was capable of doing.

40.

The Rivet invention was designed to be structurally stronger and having a higher watertight integrity over prior art type amphibious craft, the craft being capable of supporting and carrying into treed swamp environment heavy loads such as draglines, hydraulic tree cutters, backhoes and the like.

41.

The Rivet invention was designed to have the ability to support its heavy work load even when walking over tree stumps in a swamp environment, and being further able to resist the torsional or twisting stresses which opened welds of the pontoons of previous craft causing flooding and loss of buoyancy.

42.

The Rivet invention was designed to resist bending, buckling, twisting and cracking of the plate weldments. It was designed to allow the vehicle to operate for prolonged periods of time in a treed stump swamp environment without damage to its structure.

43.

The Rivet invention was designed as a rugged buoyant structure which could support in water, marsh, land, or in a treed stump environment heavy loads of up to sixty tons, including the mounting on the top of the "lowers," or pontoon structure, heavy duty construction equipment such as draglines, tree cutters, backhoes, and the like.

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44.

The Rivet invention is structurally superior to the Reynolds marsh craft for three reasons:

(a) vertical bulkheads spaced along the length of the pontoons, adding to the rigidity of the pontoons and creating a plurality of separate buoyant chambers within the pontoon;

(b) a plurality of spaced I-beams welded to the bottom of the pontoons, again adding rigidity to the pontoons; and

(c) plastic support blocks to the web of the cleats to prevent puncture of the pontoons.

45.

Ritchie experimented with plastic blocks to support cleats and prevent bending on some light marsh vehicles in about 1970.

This experimentation, however, did not solve the problem of working in a tree stump environment, because stumps could still

damage the Reynolds-type pontoon construction used by Ritchie.

46.

In swamp pipeline construction, there is no longer any need for matting or the use of barges for crossing swamps and canals after the introduction of the Rivet craft.

47.

The Rivet Amphibious Marsh Craft was successful in accomplishing its unique objectives, and it proved to be a commercial success as well.

48.

Since the licensing of the patent in suit to Louis Woodson and Kori, the commercial success achieved through the use of the patented craft has been maintained by Kori in the digging and backfilling of pipeline right-of-ways through Louisiana swamp land.

The Patent Infringement

49.

Robert J. Wilson, Sr., father of the three individual defendants, was employed in early 1974 by Rivet as a contract welder.

50.

As a contract welder for Rivet, Robert J. Wilson, Sr. received instructions as to the fabrication of pontoons which were the subject at that time of a patent application by Rivet, the application later maturing into the Rivet '785 patent.

51.

During his employment by Rivet, Robert J. Wilson, Sr. was shown by Rivet's shop foreman, Pat Madere, the exact construction of the Rivet pontoon construction including assembly details, such as sizing, cutting and placement of I-beams, the spacing and dimensions of bulkheads, the assembly of the pontoons, and the placement of welds.

52.

After terminating his employment with Rivet, Robert J. Wilson, Sr. moved and began building a set of pontoons following the format he had learned during his employment by Rivet.

53.

In June of 1974, the three individual defendants, John M. Wilson, Sr., Dean R. Wilson and Robert J. Wilson, Jr., incorporated defendant corporation Wilco.

54.

In June of 1974, Robert J. Wilson, Sr. began an employment as an independent contractor with the defendants by manufacturing pontoons of the same construction as he learned while being employed by Rivet.

55.

After Rivet obtained his patent, and after his amphibious marsh craft had become commercially successful, he was approached by Harold Tassin, Jr., who wanted a Reynolds-type machine renovated using the patented Rivet construction.

56.

Tassin paid Rivet royalties of approximately $10,000.00 to add the pontoon structure taught by the patent as well as the support blocks and longitudinal channels.

57.

The Tassin machine was subsequently sold in about 1975 to Wilco, which further [Page 519] taught the defendants the patented construction. When Tassin sold this machine embodying the patented construction to defendants, he told the defendants of the existence of the Rivet patent covering the renovated machine.

58.

Defendant Dean Wilson has, on several occasions prior to the first infringing construction by defendants, indicated his knowledge of the patent. Dean Wilson ordered copies of the Rivet patent and repeatedly indicated his willful intent to infringe the patent notwithstanding consequences.

59.

Defendant Dean Wilson visited plaintiff Louis Woodson in his office in Lafayette, where Dean Wilson informed Woodson that he (Dean Wilson) had obtained copies of the Rivet patent and was building equipment identical to that of plaintiff Kori.

60.

When Woodson raised the infringement of the Rivet patent and the possibility of a license under the patent, Dean Wilson "offered" Woodson a chance to buy him out for approximately One Million and no/100 Dollars ($1,000,000.00).

61.

In September of 1977, Dean Wilson and John Nowlin, General Manager of Kori, met and discussed the patent at the Kori facility, at which time Dean Wilson indicated he had ordered copies of the patent and that he felt the patent was invalid. Nowlin responded that the patent would be enforced.

62.

In early 1978, Madere, a shop foreman for Kori, visited the Wilco facility and saw the construction by Wilco of a machine similar to the Rivet invention, including the placement of transverse I-beams in the bottom of the hull, the spaced bulkheads, the longitudinal channels, the plastic support blocks, and the entire patented combination being included in this manufacture.

63.

In May, 1978, Dean Wilson showed Nowlin the newly manufactured Wilco machine at the Wilco facility in Harvey, Louisiana. The Wilco machine viewed by Nowlin was a substantial copy of the Kori Drott Backhoe machines, having all of the elements of the patented combination and, indeed, being cosmetically identical including an identical paint job.

64.

Following the filing of his patent infringement action against defendants by plaintiffs, defendants have manufactured and sold at least the following amphibious craft constructed in accordance with defendants' shop drawings produced at trial:

Bucyrus Erie	Sold to Oceanic Marine Contractors	$240,000
Bucyrus Erie	Sold to Oceanic Marine Contractors	$240,000
Personnel Carrier	Sold to Oceanic Marine Contractors	$55,000

Little Giant Marsh Swamp Dragline		$250,000
Swamp-type Carrier Dragline	Sold to Marine Contractors	$186,000
Bucyrus Erie Backhoe	Sold to Marine Contractors	$250,000
Bucyrus Erie Backhoe	Sold to Marine Contractors	$255,000
Personnel Carrier	Sold to Marine Contractors	$50,000
Personnel Carrier	Sold to Marine Contractors	$70,000

65.

Defendants' structures are equivalent to the Rivet Amphibious Marsh Craft of claims 1 through 5.

66.

In rebuttal, the defendants have attempted to establish the existence of a prior art for various elements or parts of the Rivet '785 patent: United States patent No. 1,161,267 to W. T. Taylor (disclosing an amphibious craft having a pair of elongated pontoons); United States patent to Powell No. 2,223,855 (disclosing reinforcing and strengthening braces); United States patents to MacDonald No. 458,473, Dunn No. 974,779, Chilton No. 1,564,826, Cooper No. 2,375,973, Lanser No. 2,507,913, Anthony [Page 520] No. 2,547,146, McAleer No. 2,743,694, Greenwood No. 3,304,900, Rainu No. 3,547,062, and Shader No. 3,807,338 (disclosing bulkheads which divide interior of the hull); United States patents to Hayden No. 1,992,913, Blount No. 2,560,153, Landes No. 3,208,421, Jankins No. 3,215,114, and Lanning No. 3,646,904 (disclosing interconnection of two pontoons by beams extending between the tops of the pontoons); United States patents to Gay No. 1,084,207, Mosca No. 1,230,014, Law No. 2,206,966, Miller No. 1,635,854, Hurthig

No. 2,756,830, Gaskins No. 1,822,965, Roebling No. 2,138,207 and Van Slyhe No. 3,131,781 (disclosing two channel means on the top and bottom of pontoons, or the structural and functional equivalent of pontoons with endless chain in each channel); and United States patent to Miller No. 1,635,854 (disclosing drive means for the endless chains).

67.

Defendants failed to establish any prior art which disclosed all, or substantially all, of the elements claimed under the Rivet '785 patent.

68.

Professor James Gambrell, an expert on patent law, gave his opinion that the Rivet '785 patent complies with all the specifications and claims required by federal law. The Court finds that Professor Gambrell's testimony is credible and convincing.

69.

To the extent that these Findings of Fact constitute Conclusions of Law, they are specifically adopted as both FINDINGS OF FACT AND CONCLUSIONS OF LAW.

CONCLUSIONS OF LAW

1.

This is a patent suit brought under the Patent Act, 35 U.S.C. § 1 *et seq.* (hereinafter the Patent Act). This Court has jurisdiction of the parties and of the subject matter of this action by virtue of 28 U.S.C. §§ 1338, 2201. There is actual controversy between the parties concerning the subject matter of this action, 28 U.S.C. § 2201. Venue is proper as required by 28 U.S.C. § 1400(b).

2.

[1] The plaintiffs have the burden of proof to establish, by a preponderance of the evidence, that defendants' manufacture, use, and sale of amphibious craft have infringed any on the claims of the Rivet '785 patent. *Moore* v. *Schultz*, 491 F.2d 294, 298 (10th Cir.), *cert. denied*, 419 U.S. 930, 95 S.Ct. 203, 42 L.Ed.2d 161 (1974).

3.

The Rivet '785 patent is presumed valid. The burden of establishing invalidity of the patent or any claim thereof shall rest with the defendants. *Radio Corp. of America* v. *Radio Engineering Lab., Inc.*, 293 U.S. 1, 7, 54 S.Ct. 752, 756, 78 L.Ed. 1453 (1934); *Continental Oil Company* v. *Cole*, 634 F.2d 188, 195 (5th Cir. 1981); *Ingersoll-Rand Co.* v. *Brunner & Lay, Inc.*, 474 F.2d 491 (5th Cir. 1973); *Van Gorp Manufacturing, Inc.* v. *Townley Industrial Plastics, Inc.*, 464 F.2d 16, 17 (5th Cir. 1972).

4.

The defendants bear a heavy burden of proof to establish the invalidity or unenforceability of the Rivet '785 patent. The Courts have variously recognized this burden to be akin to the fraud standard of clear and convincing evidence and to the criminal law standard of proof beyond a reasonable doubt, but, at a minimum, greater than a mere preponderance of the evidence. *Ingersoll-Rand Co.* v. *Brunner & Lay, Inc.*, 474 F.2d 491, 496 (5th Cir.), *cert. denied*, 414 U.S. 865, 94 S.Ct. 125, 38 L.Ed.2d 117 (1973) (citing *Hobbs* v. *United States Atomic Energy Commission*, 451 F.2d 849 (5th Cir. 1971); *Stamicarbon N.V.* v. *Escambia Chemical Corp.*, 430 F.2d 920 (5th Cir.), *cert. denied*, 400 U.S. 944, 91 S.Ct. 245, 27 L.Ed.2d 248 (1970)).

5.

The Patent Act sets forth three conditions of patentability: novelty, utility and non-obviousness. 35 U.S.C. §§ 101-103.

6.

[2] The Rivet '785 patent satisfies the separate tests of novelty, utility, and non-[Page 521] obviousness and is valid. *United States* v. *Adams*, 383 U.S. 39, 48, 86 S.Ct. 708, 712, 15 L.Ed.2d 572 (1966); *Gladdis* v. *Calgon Corp.*, 506 F.2d 880, 884 (5th Cir. 1975).

7.

[3] An invention is patentable provided the subject matter sought to be patented and the prior art are such that the subject matter as a whole would not have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject pertains. 35 U.S.C. § 103; *Sakraida* v. *Ag Pro, Inc.*, 425 U.S. 273, 280, 96 S.Ct. 1532, 1536, 47 L.Ed.2d 784 (1976); *Graham* v. *John Deere Co.*, 383 U.S. 1, 17, 86 S.Ct. 684, 693, 15 L.Ed.2d 545 (1966); *Continental Oil Company* v. *Cole, supra.*

8.

[4] The test of non-obviousness is not whether the individual elements were obvious at the time of the invention but whether the combination as a whole produced a new and different result which was not obvious. *U.S.* v. *Adams, supra*, 86 S.Ct. at 714-715; *Continental Oil Company* v. *Cole, supra* at 197.

9.

A combination of elements and parts may result in an effect greater than the sum of the several effects taken separately. Such a synergistic result is strong if not conclusive evidence of

non-obviousness. *Van Gorp Manufacturing, Inc.* v. *Townley Industrial Plastics, Inc., supra* at 20.

10.

The subject matter as a whole, of the invention defined in claims 1 through 7 of the Rivet '785 patent, would not have been obvious at the time the invention was made to one having ordinary skill in the art of amphibious craft.

11.

Claims 1 through 7 of the Rivet '785 patent express the novel concept constituting the invention and such concept is set forth in terms of a combination of elements and the cooperative physical relationship. The specifications and claims comply with the requirements of 35 U.S.C. § 112.

12.

[5] A combination is not rendered unpatentable by the existence of its various elements separately in the prior art. *Bates* v. *Coe, 98* U.S. 31, 48, 25 L.Ed. 68 (1878); *Imhauser* v. *Buerk,* 101 U.S. 647, 660, 25 L.Ed. 945 (1880).

13.

[6] Anticipation is a technical defense which must meet strict standards. Unless all the same elements are found in substantially the same situation and united in the same way to perform the identical function in a single prior art reference, there is no anticipation. *Continental Oil Company* v. *Cole, supra* at 195; *Hughes Tool Co.* v. *Ingersoll-Rand Co.,* 437 F.2d 1106, 1108 (5th Cir.) *cert. denied,* 403 U.S. 918, 91 S.Ct. 2230, 29 L.Ed.2d 696 (1971); *Tights, Inc.* v. *Acme-McCrary Corp.,* 541 F.2d 1047, 1056 (4th Cir.) *cert. denied,* 429 U.S. 980, 97 S.Ct. 493, 50 L.Ed.2d 589 (1976).

14.

None of the prior art, including the Reynolds-type marsh craft, the machines developed by Ritchie, and all the patents cited in Findings of Fact No. 66, combined the same elements of the Rivet '785 patent in substantially the same situation so as to perform the unique functions of the Rivet invention.

15.

The defendants have not shown by clear and convincing evidence that the invention of the patent in suit was anticipated by any prior public use or sale. *Barbed Wire Patent,* 143 U.S. 275, 284, 12 S.Ct. 444, 447, 36 L.Ed. 154 (1892); *Southern Implement Manufacturing Co.* v. *McLemore,* 350 F.2d 244, 249-50 (5th Cir. 1965).

16.

Hence, claims 1 through 7, being all the claims of the Rivet '785 patent are not anticipated by the prior art and are valid.

[Page 522]

17.

Infringement is the unauthorized making, using, or selling for use or profit of an invention covered by a valid claim of a patent during the life of the patent. 35 U.S.C. § 271.

18.

[7] Patents are to be liberally construed so as to uphold and not destroy the inventor's rights. *Eibel Process Co.* v. *Minnesota & Ontario Paper Co.,* 261 U.S. 45, 63, 43 S.Ct. 322, 238, 67 L.Ed. 523 (1923); *Keystone Manufacturing Co.* v. *Adams,* 151 U.S. 139, 144-145, 14 S.Ct. 295, 297, 38 L.Ed. 103 (1894).

19.

[8] One form of infringement occurs when an accused device incorporates a teaching literally read. An infringement also occurs when a device appropriates a prior invention by incorporating its innovative concept and, albeit with some modification and change, performs substantially the same function in substantially the same way to achieve substantially the same result. The "doctrine of equivalent" shields the inventor from such abuse. *Continental Oil Co.* v. *Cole, supra* at 191.

20.

The determination of equivalency involves an examination of the scope prior art, the essence or "heart" of the invention disclosed and the step forward the invention offers. *Id.*

21.

A patent such as the Rivet '785 patent, an invention which possesses characteristics of novelty and importance so as to mark a distinct step in the art's progress, and offers a viable alternative to the prior art device for the first time, is a pioneer patent, making liberal construction of its breadth under the doctrine of equivalents appropriate. *Id.*

22.

[9] Minor modification does not avoid infringement. *Graver Manufacturing Co.* v. *Linde Co.*, 339 U.S. 605, 607, 70 S.Ct. 854, 855, 94 L.Ed. 1097 (1950); *Continental Oil Co.* v. *Cole, supra* at 197.

23.

Defendants, by actively inducing infringement of the Rivet '785 patent are liable as infringers. 35 U.S.C. § 271(b).

24.

The defendants' device is the equivalent in function and operation of the Rivet '785 patent.

25.

[10] Reasonable attorneys' fees are awarded in patent infringement actions only in exceptional cases, as where defendant has willfully and deliberately infringed plaintiff's patent, 35 U.S.C. § 285; *Jenn-Air Corp.* v. *Penn Ventilator Company, Inc.*, 394 F. Supp. 665, 673-74 (E.D. Pa. 1975); *Photon, Inc.* v. *Eltra Corp.*, 308 F. Supp. 133, 146 (N.D. Ill. 1969); *Mott Corp.* v. *Sunflower Industries, Inc.*, 237 F. Supp. 14, 17 (D. Kan. 1964).

26.

[11] Having copied these essential parts of the patented amphibious craft, knowing the same to be patented and having no good faith belief that the patent is invalid, defendants are willful infringers. *Solex Laboratories, Inc.* v. *Graham*, 165 F. Supp. 428, 437 (S.D. Cal. 1958).

27.

[12] A belief by defendants of non-infringement or patent invalidity based upon a careless disregard of the facts is not a good faith belief sufficient to negate a conclusion that they have willfully infringed. *Russel Box Co.* v. *Grant Paper Box Co.*, 203 F.2d 177, 183 (1st Cir.), *cert. denied*, 346 U.S. 821, 74 S.Ct. 37, 98 L.Ed. 347 (1953); *K. W. Ignition Co.* v. *Temco Electric Motor Co.*, 283 F. 873, 880 (6th Cir.), *cert. denied*, 260 U.S. 746, 43 S.Ct. 247, 67 L.Ed. 493 (1922).

28.

Upon a determination of validity, infringement, and enforceability, a patentee [Page 523] is entitled to an injunction when in accordance with the principles of equity, 35 U.S.C. § 283; *Arthur J. Schmitt Found* v. *Stockham Values & Fittings, Inc.*, 292 F. Supp. 893 (N.D. Ala. 1966), *aff'd.* 404 F.2d 13 (5th Cir. 1968), *cert. denied*, 398 U.S. 965, 90 S.Ct. 2177, 26 L.Ed.2d 549 (1970) . . . and, in the discretion of the Court in an exceptional case, to an award of reasonable attorneys' fees, 35 U.S.C. § 285; *Livesay Window Co.* v. *Livesay Industries, Inc.*, 251 F.2d 469 (5th Cir. 1958).

29.

The Rivet '785 patent in suit is valid, infringed, and enforceable as to all claims in issue.

30.

Plaintiffs are entitled to an injunction.

31.

Plaintiffs are entitled to recover damages.

32.

Plaintiffs are entitled to recover costs.

33.

Plaintiffs are entitled to an award of reasonable attorneys' fees.

MEMORANDUM OPINION
On Damages

Pursuant to the Judgment, dated December 11, 1981, entered in favor of the plaintiffs, Kori Corporation and Huey J. Rivet,

and against defendants, Wilco Marsh Buggies and Draglines, Inc., John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr., the above entitled matter came on for a hearing on damages suffered by said plaintiffs as a result of the infringement by said defendants. After careful consideration of the evidence adduced at trial and at the account hearing, the arguments of counsel, the submitted memoranda and materials, the relevant facts and the applicable law, the Court will and hereby does render its Opinion on the issue of damages.

In its Opinion dated December 11, 1981, this Court found as a matter of law that the patent issued to plaintiff Huey J. Rivet, United States Patent No. 3,842,785 (hereinafter Rivet '785 patent), was valid (Conclusion of Law No. 16), that the devices manufactured by the defendants infringed upon the Rivet '785 patent as being the equivalent in function and operation of the patent (Conclusion of Law No. 24), and that the defendants, by actively inducing infringement of the Rivet '785 patent, are liable as infringers (Conclusion of Law No. 23). Issues now before the Court concern the pecuniary damages, prejudgment interest, attorneys' fees, and exemplary damages that plaintiffs are entitled to recover.

Pecuniary Damages

The measure of recovery for patent infringement is founded upon 35 U.S.C. § 284, which provides in pertinent part:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

In this case, plaintiffs seek to recover as damages the profit derived from the sale of six infringing units as well as profits from the rental of other infringing units. The defendants contend that a reasonable royalty is the appropriate measure of damages.

In order to resolve the controversy concerning the measure of damages, it is necessary to briefly recapitulate some of the factual background relevant to the issue of damages.

In the course of his association with the oil and gas exploration and development industry, Rivet realized that marsh vehicles, designed in accordance with the now expired Reynolds patent, were grossly inadequate to do heavy pipe laying work in a treed swamp environment. The pontoon structure of the Reynolds-type marsh buggies were often punctured and battered by the hostile treed swamp terrain, resulting in machine breakdowns and necessitating costly backup machinery and parts. Other equipment had to be matted into the job site which was a time-consuming and ineffi-[Page 524]cient method of moving equipment. In short, pipe layers were attempting to "make do" with marsh equipment which was not designed to do heavy work in a treed swamp environment. Rivet sought to design a machine capable of successfully traversing waterways, marsh lands, and treed swamps. The fruit of his endeavor is set forth in the Rivet '785 patent and without going into any technical detail, the essential elements of the Rivet patent included: 1) increasing the structural integrity of the pontoon; 2) creating separate chambers within the pontoon to limit loss of buoyancy when the pontoon is punctured; 3) using plastic support blocks to prevent puncture of the pontoon. The Rivet invention, like the Reynolds invention, is amphibious and can navigate waterways and marsh lands. The advantage of the Rivet invention is that it is specifically designed to do heavy work in the rugged treed swamp without mats, breakdowns, or serious structural damage. Rivet has granted an exclusive license to Louis Woodson and Kori Corporation to manufacture machines in accordance with the Rivet '785 patent. Kori has the facilities, manpower, and capital financing to manufacture the Rivet craft and, in fact, does manufacture these machines for use and sale primarily on pipe laying projects. Kori does not sell its machines to domestic

customers because these purchasers are generally Kori's competitors in the pipe laying business. Instead, Kori bids on pipe laying projects and builds or uses machines on hand for these projects. Kori only rents machines for use domestically; however, it will sell machines for use outside of the United States.

The defendants acquired the Rivet technology through Robert J. Wilson, Jr., father of the individual defendants, who was employed by Rivet as a contract welder and also through the purchase of a machine which had been renovated using the patented Rivet construction. The defendants obtained copies of the Rivet patent and proceeded to build equipment substantially identical to Rivet machines produced by Kori. Since 1977, the defendants have built at least twelve machines which infringe upon the patent.

[13] Under the present statutory rule, plaintiffs are entitled to recover damages in the amount of the pecuniary loss they have suffered as a result of the infringement, and in no case less than a reasonable royalty. *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 505-07, 84 S.Ct. 1526, 1542-43, 12 L.Ed.2d 457 (1964). Defendants have consistently maintained that damages should only be awarded in the amount of a reasonable royalty. The statutory language and the relevant jurisprudence, however, clearly dictate that a reasonable royalty is only the minimal standard used in computing damages for patent infringement. Generally, the appropriate inquiry in determining the amount of recovery is "how much had the Patent Holder and Licensee suffered by the infringement. And that question [is] primarily: had the Infringer not infringed, what would Patent Holder-Licensee have made?" *Aro Manufacturing Co., Inc.* v. *Convertible Top Replacement Co., Inc., supra*, at 507, 84 S.Ct. at 1543 (quoting from *Livesay Window Co.* v. *Livesay Industries, Inc.*, 251 F.2d 469, 471 (5th Cir. 1958). It is only where the patentee-licensee fails to establish any pecuniary loss resulting from infringement that the court

may resort to the reasonable royalty standard. *See e.g. Foster* v. *American Machine & Foundry Co.*, 492 F.2d 1317 (2d Cir.), *cert. denied*, 419 U.S. 833, 95 S.Ct. 58, 42 L.Ed.2d 59 (1974). In effect, the measure of damages should reflect the ability of the patentee-licensee to utilize his patent.

> If the patentee is a manufacturer, he may prove his damages by evidence of lost sales and profits. But if such proof is inadequate, or if he does not himself sell the product, he may nevertheless be injured by the unlicensed practice of his invention. The reasonable royalty which he might lawfully have collected from the infringer if he had been a licensee may then be the measure of damages.

Zegers v. *Zegers, Inc.*, 458 F.2d 726, 730 (7th Cir.), *cert. denied*, 409 U.S. 878, 93 S.Ct. 131, 34 L.Ed.2d 132 (1972).

[Page 525]

[14] In the instant matter, the plaintiffs were clearly capable of exploiting commercial value of the Rivet '785 patent. The plaintiffs manufactured machines employing the teachings of the Rivet '785 patent for their own use on domestic pipeline jobs and also sold these machines for use in foreign countries. The infringing units manufactured by the defendant are similar, if not identical, to the types of machines built by the plaintiffs. Moreover, the evidence clearly demonstrates that the plaintiffs and the defendant infringers directly competed for the sale of units in the foreign market. Under these circumstances, the lost profits on the infringing machines sold for use outside of the United States appear to be the appropriate measure of plaintiffs' damages. The rule in the Fifth Circuit, as set forth in the leading case of *Livesay Window Co.* v. *Livesay Industries, Inc.*, 251 F.2d 469 (5th Cir. 1958), is "[i]f in all reasonable probability, the Patent Owner would have made the sales which the Infringer has made, what the Patent Owner in reasonable probability would have netted from the sales denied to him is the measure of his loss, and the Infringer is liable for that." *Id.* at 471-72. *See also Hughes Tool Co.* v. *G. W. Murphy Industries, Inc.*, 491

F.2d 923, 929 (5th Cir. 1973); *Julien* v. *Gomez & Andre Tractor Repairs, Inc.*, 512 F.Supp. 955, 957 (E.D. La. 1981). Thus, plaintiffs are entitled to lost profits if they would have, in all reasonable proability, made the sales of infringing units which the defendants have made. This jurisprudence is consistent with the notion that damage for patent infringement should reflect what the patentee-licensee would have made had the infringer not infringed.

The defendants have urged the Court to follow the Sixth Circuit approach to lost profits. In *Panduit Corp.* v. *Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978), the Sixth Circuit set forth a four prong test to determine the patentee's entitlement to lost profits:

> To obtain as damages the profits on sales he would have made absent the infringement, i.e. sales made by the infringer, a patent owner must prove: (1) demand for the patent product, (2) absence of acceptable noninfringing substitutes, (3) his manufacturing and marketing capability to exploit the demand, and (4) the amount of profit he would have made. 3R. White, *Patent Litigation: Procedure and Tactics* § 9.03[2]. *See, e.g., Bros Inc.* v. *W. E. Grace Mfg. Co.*, 320 F.2d 594 at 598, 138 USPQ 357 at 358 (5th Cir. 1963) and *Electric Pipe Line, Inc.* v. *Fluid Systems, Inc.*, 250 F.2d 697, 116 USPQ 25 (2d Cir. 1957).

Id. at 1153. The four prong test of this recent decision is perhaps somewhat more elaborate than the language employed by Fifth Circuit jurisprudence. Nevertheless, as indicated by the citation of Fifth Circuit case law, there is no substantive distinction between the Sixth Circuit approach to profits as damages and the traditional test whereby the patentee-licensee is entitled to his lost profits on sales made by the infringer if in all reasonable probability the patentee-licensee would have made the sales had the infringer not infringed.

Under either the Fifth Circuit standard or the test of the Sixth Circuit, the plaintiffs have established their right to damages

calculated on the basis of profits lost on the defendants' sale of infringing units for use outside of the United States. Applying the Sixth Circuit test for profits, the first issue is the demand for the Rivet '785 patent. This issue is largely uncontested. The oil and gas industry had long sought a machine which could carry heavy uppers into a treed swamp without significant structural damage and without matting. The Rivet '785 patent was designed to answer the challenge of the treed swamp and the substantial sales of units employing the teachings of the Rivet '785 patent prove a demand. *Bros. Inc.* v. *W. E. Grace Manufacturing Co.*, 320 F.2d 594, 598 (5th Cir. 1963).

After proving a demand, the plaintiffs must, under the Sixth Circuit approach, then demonstrate the absence of acceptable noninfringing substitutes. Here, again, all of the credible evidence adduced at trial and at the accounting hearing demonstrates [Page 526] the lack of a comparable substitute for the Rivet '785 patent. Defendants contend that machinery built by Quality Industries of Thibodaux, Louisiana (hereinafter Quality) is an acceptable substitute for the Rivet '785 patent. There has been no evidence, however, of the specifications or the working capability of the Quality units. The only evidence of the capability of the products built by Quality is a vaguely worded and self-serving sales brochure. (See Wilco Exhibits 3 and 3a.) It is not even clear whether Quality was marketing a comparable swamp machine during the period of infringement at issue in this case. All of the credible testimony concerning units manufactured by Quality is that they are inferior to the Rivet machines. In fact, testimony brought by the defendants concerning sales to J. Ray McDermott for a job in Nigeria clearly demonstrates that the only substitute for the Rivet patented machines was the infringing units built by the defendants. The evidence indicates that McDermott was interested in purchasing machines patented under the Rivet '785 patent from plaintiff Kori because these were the only machines capable of operating

effectively in the jungle swamp of Nigeria. McDermott then became concerned that Kori might not be able to make timely delivery of the machines either because of an alleged dispute between Rivet and Woodson, the sole licensee, or because Kori was involved in a major pipe laying job at the time. As a result of this concern about the timeliness of delivery, McDermott decided to purchase machinery from the defendant infringer, Wilco. Regardless of whether McDermott's fears were well founded, the fact remains that when McDermott sought a substitute for the patented Kori product, it turned not to Quality or some other manufacturer of marsh craft, but to the infringer, Wilco. Thus, from a buyer's perspective, the only acceptable substitute for the patented Kori machines were the infringing machines.

Furthermore, if Quality was such a formidable competitor as the defendants would have this Court believe, the Court is at a loss to explain why the sales by the defendants were not similarly affected by the competition from Quality. Addressing this anomalous situation, the Fifth Circuit in *Bros. Inc.* v. *W. E. Grace Manufacturing Co., supra*, reversed the decision by the district court which had reduced by two-thirds the lost profits awarded by the Master because the district court found that had the infringer not infringed, two-thirds of the machines sold by the infringer would probably have been sold by two competitors. In restoring the Master's award of profits for sales on *all* infringing machines, Judge John R. Brown stated in pertinent part:

> The Master with ample basis found that had not the Infringer sold the machines, the Patentee would. Neither before the trial Court nor here has the Infringer carried the burden of showing that such finding is clearly erroneous. F. R. Civ. P.53(a), (e)(2). Indeed, the trial Court's approach is a novel and startling one. The substantial sales made prove a demand. As a matter of economics, had the two other concerns waiting in the wings been as formidable as the Judge must have thought, we are unable to see why, on this theory, the Infringer likewise would not have lost out

> to these competitors. The consequence of the holding is strange. If effect it is that an admitted infringer who has made substantial profits from purloining another's patent is not made to account for his acknowledged acts because had he not poached, another would or, at any rate, sales of similar products would have been made, not by the patent owner, but by others. To avoid such an anomaly, we therefore restore the Master's finding that the Infringer is liable for all of the machines sold by it during the critical period.

Id. at 598. Similarly, this Court concludes that the defendants should not be allowed to profit from infringement of the Rivet '785 patent and then avoid pecuniary damages based upon some vague allegation of a comparable substitute.

The third prong of the Sixth Circuit test for pecuniary damages is that the plaintiffs must prove their manufacturing and mar-[Page 527]keting capability to exploit the demand for the patented product. Once again, the plaintiffs have sustained their burden of proof. The record clearly reflects that the plaintiffs had and still have the facilities, capital investment, and manpower to manufacture machines to meet the demand for the Rivet '785 patent. Plaintiffs actively engaged in the marketing of their product for use outside of the United States and could take machines from their inventory to satisfy such orders. Defendants assert that the sales of units to McDermott for the Nigeria job, discussed above, illustrates at least one set of circumstances where plaintiffs could not timely deliver units for sale. The weight of the evidence, however, indicates that the plaintiffs could have satisfied the McDermott order in a timely fashion. By contrast, the totality of the negotiations for the McDermott order demonstrates vividly how the defendants "poached" sales from the plaintiffs. As stated above, these negotiations attest to the demand for the Rivet '785 patent and the absence of an acceptable noninfringing substitute because McDermott apparently negotiated with only plaintiff Kori and infringer Wilco for this order. Had Wilco not infringed, these sales would have, in

all reasonable probability, gone to Kori. Instead, Wilco infringed upon the Rivet '785 patent and thereby unlawfully exploited the demand for the patented product. Under these circumstances, plaintiffs' damages for pecuniary loss are equivalent to Kori's lost profit on the sales made by the defendant infringers. Stripped of all the factual embellishment, defendants apparently contend that because McDermott chose to purchase units from Wilco instead of Kori, Kori was unable to meet McDermott's demand. The Court is convinced that where an infringer and a patentee-licensee compete for the demand created by the patent, it should be reasonably inferred that in the absence of infringement, the patentee-licensee would have made all of the infringer's sales. Since the plaintiffs had the manufacturing and marketing capabilities to exploit the Rivet '785 patent, the Court finds that in all reasonable probability had the defendants not infringed, the plaintiffs would have made the sales on infringing units purchased for use outside of the United States.

Having found that the plaintiffs are entitled to the profit on infringing units sold for foreign use, the remaining issue is the amount of profits the plaintiffs would have made on these sales. The computation of damages for patent infringement involves a subtle judicial function, and the statute allows considerable discretion in awarding damages. *John Zink Co.* v. *National Burner Co.*, 613 F.2d 547, 559 (5th Cir. 1980); *Bros. Inc.* v. *W. E. Grace Manufacturing Co., supra,* at 599. Recognizing the hypothetical nature in basing damages upon lost profits, Courts have held that patentee-licensee need not prove lost profits with scientific accuracy, though the damages may not be speculative. *Hughes Tool Co.* v. *G. W. Murphy Industries, Inc., supra* at 929; *Livesay Window Co.* v. *Livesay Industries, supra,* at 472. In the instant matter, the plaintiffs have based their lost profit upon the profits the defendants made on six infringing units which were sold for use outside of the United States. It is uncontested that these six machines were built in accordance with the

plans which this Court has construed as infringing upon the Rivet '785 patent. It is also clear that these machines were sold on the foreign market in direct competition with sales by the plaintiffs and in all reasonable probability the plaintiffs would have made these sales had the defendants not infringed. Plaintiffs' expert, David W. Harvey, C.P.A., Ph.D., calculates the defendants' profits on the six machines at $379,497. (Dr. Harvey's Report, dated April 13, 1982, p. 2 (Exhibit I of Plaintiffs' Post Trial Brief for Damages Hearing.)) Defendants do not dispute these figures but instead challenge the propriety of using their profits to compute plaintiffs' lost profits. The Fifth Circuit has specifically stated that "the profits made by the infringer from his improper use of the infringing device may be the measure of the damages suffered, even though the statute does not prescribe that profits are to be recovered as such." *Graham* v. *Jeoffroy Mfg., Inc.*, 253 [Page 528] F.2d 72, 74 (5th Cir.), cert. denied, 358 U.S. 817, 79 S.Ct. 28, 3 L.Ed.2d 59 (1958); *see also Thomson Machinery Co.* v. *La Rose,* 306 F.Supp. 681 (E.D. La. 1969). Decisions from other circuits are in accord with this proposition. *Atlas-Pacific Engineering Co.* v. *Geo. W. Ashock Co.*, 339 F.2d 288, 290 (9th Cir. 1964), *cert. denied,* 382 U.S. 842, 86 S.Ct. 55, 15 L.Ed.2d 83 (1965); *Georgia-Pacific Corp.* v. *United States Plywood Corp.*, 243 F.Supp. 500, 529 (S.D.N.Y. 1965); *Locklin* v. *Switzer Brothers, Inc.*, 235 F.Supp. 904, 906 (N.D. Cal. 1964). Even the opinion which the defendants rely so strongly upon for their proposition that infringers profits may not be awarded as damages, states, in pertinent part, that "[i]n some situations the infringer's profits may constitute evidence tending to prove the amount of plaintiff's damages . . . or be a relevant factor in the calculation of a reasonable royalty." *Zegers* v. *Zegers, Inc., supra* at 928 (citations and footnote omitted). Considering the overall facts of this case, especially the fact that the infringing machines were literally identical to the plaintiffs' machines, the Court finds that the

defendants' profits constitute a reasonable approximation of the damages suffered by plaintiffs.

Plaintiffs seek damages over and above the amount of the defendants' net profits on the sale of the six infringing machines on the grounds that these profits contain an allocation of overhead amounting to $90,766, which includes fixed overhead costs and salaries of the defendant infringers (Testimony of Mr. Jarrell and Report of Dr. Harvey, dated April 13, 1982, pp. 2-3 (Exhibit I in Plaintiffs' Post Trial Brief for Damages Hearing). Mr. Jarrell testified that if the plaintiffs had built these machines for sale, the plaintiffs would have incurred no more than $20,000 additional overhead expenses. Therefore, the plaintiffs seek the net profits on the sale of the six machines, $397,499, plus $70,766 as the difference between the overhead expenses incurred by the defendants and those which would have been incurred by the plaintiffs.

The Court would agree that plaintiffs' damages should be increased by fixed overhead costs and infringers' salaries which the plaintiffs would not have incurred had they manufactured these machines. *See SafGard Products, Inc.* v. *Service Part, Inc.*, 491 F.Supp. 996, 1008 (D. Ariz. 1980) (Fixed overhead costs are not charged against plaintiffs damages, citing numerous authority.); *Graham* v. *Jeoffroy Mfg., Inc., supra,* at 76 (Infringing salaries must be added to infringing profits to complete plaintiffs' damages.). Plaintiffs, however, have failed to sustain their burden in apportioning those overhead expenses which should not be charged against the plaintiffs, such as fixed overhead costs and infringers' salaries, from other overhead expenses. Mr. Jarrell attempted to make some allocation, stating that Kori would have incurred to more than $20,000 in added overhead to build these six machines. The Court is not convinced by this testimony because the basis for his apportionment is unknown and is not substantiated by any other evidence. On the other hand, it is clear that the plaintiffs would have avoided at

least some of the overhead costs expended by the defendants in producing the six infringing machines. Moreover, the individual defendants were paid substantial salaries during the period of infringement which were derived in part from the sale of infringing units. (Plaintiffs' Exhibits 5 through 10) These factors should be included in plaintiffs' damages, even though they cannot be added to lost profits without some credible evidence allocating these figures. Accordingly, the Court will not attempt to add fixed overhead or infringers' salaries to net profits in calculating plaintiffs' pecuniary damages. Instead, the Court will consider these factors in determining whether to impose exemplary damages.

Defendants contend that a reasonable royalty should be employed in this case or at least the lost profits should be proportionately reduced because the Rivet '785 patent concerns only the pontoon structure of these swamp machines, which covers only a fraction of the cost of the entire unit. For example, the heavy uppers, such as draglines, backhoes, and the like, are the most significant cost element of these ma-[Page 529]chines, equalling approximately 50% of the total cost in building the units. Since the Rivet '785 patent does not affect the heavy uppers, defendants contend that plaintiffs are not entitled to profits on this portion of the machines. The issue here is whether the Court should apply the "entire market value" rule or whether the damages should be limited to the patented part of the unit. "Under this [entire market value] rule, where the patented feature, although a small part of an article, gives the articles its entire commercial value, the value of the entire article may be considered in computing damages." *Hughes Tool Co.* v. *G. W. Murphy Industries, Inc., supra,* at 928 (citations omitted). One recent decision, *Julien* v. *Gomez & Andre Tractor*

Repairs, Inc., supra summarizes the relevant jurisprudence on the entire market value rule:

> To resolve the issue requires a determination of whether the "entire market value" rule applies here. The entire market value rule "allows recovery based on the value of an entire mechanism containing several features, even though only one feature is patented, where substantially the entire marketable value of the total mechanism is attributable to the patented feature." *Crosby Steam Gage and Valve Co.* v. *Consolidated Safety Valve Co.*, 141 U.S. 441, 12 S.Ct. 49, 35 L.Ed. 809 (1891); *Goulds Mfg. Co.* v. *Cowing*, 105 U.S. 253, 26 L.Ed. 987 (1881); *Paper Converting Mach. Co., Inc.* v. *FMC Corp.*, 432 F.Supp. 907 (E.D. Wis. 1977). As the court stated in *Westinghouse* v. *Wagner Mfg. Co.*, 225 U.S. 604, 32 S.Ct. 691, 56 L.Ed. 1222 (1912), the rule is tailored for "cases in which plaintiff's patent is only a part of the machine and creates only a part of the profits." The Supreme Court in *Westinghouse, supra*, 32 S.Ct. at 694 stated:
>
> "He must therefore, 'give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented feature, . . . or he must show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, as a marketable article, is properly and legally attributable to the patented feature.' "
>
> In *Paper Converting Mach. Co., Inc.* v. *FMC Corp., supra*, at 913, the court emphasized:
>
> "The entire market value rule . . . merely permits a recognition of the *actual economic value of the patent* under the unusual circumstances in which *market conditions* themselves would prevent an unlicensed and noninfringing seller from making sales in the market for the entire machine, even though only one or more elements are patented." (Emphasis supplied)
>
> And in *Leeson Corp.* v. *United States* [220 Ct. Cl. 234] 599 F.2d 958 (Ct. Cl. 1979), *cert. denied*, 444 U.S. 991, 100 S.Ct. 522, 62 L.Ed.2d 420 (1980), the Court of Claims stated:

> "Under the entire market value rule, it is not the physical joinder or separation of the contested items that determines their inclusion in or exclusion from the compensation base, so much as their *financial and marketing dependence* on the patented item under *standard marketing procedures* for the goods in question." (Emphasis supplied)
>
> The Fifth Circuit Court of Appeals has applied the *Westinghouse* rationale to a case in which the plaintiff's patent covered the entire machine and attributed 60% of the compensation basis to the portion of the machine (plow) found to have infringed plaintiff's patent. *Graham* v. *Jeoffroy Mfg., supra,* at 77.

Id. at 959. In short, the entire market value rule is merely another permutation of the basic question in determining pecuniary damages: namely, what would the patentee-licensee have made had the infringer not infringed? In this case, had the defendants not infringed, plaintiffs would, in all reasonable probability, have sold the infringing units and would have made a profit on the entire units including the non-infringing heavy uppers. Therefore, under these circumstances, the entire market value rule should apply. Defendants rely [Page 530] heavily upon *Julien* v. *Gomez & Andre Tractor Repairs, Inc., supra,* where the Court based damages upon the patented sugar cane planter alone and not on the entire vehicle which utilized the planter. In *Julien,* the Court found that unpatented vehicles could be and were used separate and apart from the patented planter. Hence, the utility of the vehicle was not dependent upon the patented upper structure. In the present case, there has been no evidence that the unpatented heavy uppers have been or can be used independently of the patented pontoon structure. Once the unit has been constructed, the heavy uppers are more or less permanently attached to the patented pontoon structure, and these uppers have no real value to a pipeline digger unless they can be effectively transported across swamps, marsh lands and waterways.

Considering all of the evidence, the Court concludes that plaintiffs' damages should be based upon the entire market value of the infringing machines.

In summary, then, the Court finds that the defendants' profits on the sale of the six infringing units, $379,497, is a reasonable estimate of plaintiffs' damages resulting from the defendants' sales of infringing units outside of the United States.

Plaintiffs al.o claim damages on infringing units which the defendants rented for a profit. The defendants continue to own some of the Wilco built infringing units, and the evidence adduced at the accounting hearing demonstrates that the defendants have rented these machines for a total of 4,850 hours. Therefore, plaintiffs seek the profits of these rentals contending that they would have made these rentals had the defendants not infringed. As stated above, the Fifth Circuit has held that damages may be based upon the profits made by the infringer from his improper use of the infringing units. *Graham* v. *Jeoffroy Mfg., Inc., supra,* at 74. In this instance, the improper use was the renting of infringing units in contravention of the plaintiffs' rights under the Rivet '785 patent and in competition with the plaintiffs' rental business. At least one other court, under similar circumstances, has suggested awarding damages in the amount of infringers' net rental profits. *Atlas-Pacific Engineering Co.* v. *Geo. W. Ashlock Co., supra,* at 290. Since the Court finds that the plaintiffs would have made these rentals had the defendants not infringed, the plaintiffs are entitled to the lost rental profits.

To calculate these profits, plaintiffs take the total rental hours and multiply this figure by the average hourly rental profit. The total rental hours of the infringing units, 4,850 hours, is not contested. Plaintiffs contend that had they made these rentals they would have made $50 profit per hour, and they further assert that the $50 per hour figure is the industry norm. Estimates of the defendants' profit margin range from $42.969

(Dr. Harvey's Report dated April 13, 1982, p.9 (Exhibit I of Plaintiffs' Post Trial Brief for Damages Hearing) to $28.31 (Testimony of John Wilson). The Court finds that the best estimate of plaintiffs' damages for lost rentals should be based upon the lower hourly profit rate of $28.31. This yields a total profit of $137,311.30 for lost rentals, and the Court will use this figure in computing total damages.

In their post trial memorandum, the defendants have attempted to further reduce the damages on the lost rentals alleging that 95% of the time these machines were used in the marsh lands where non-infringing marsh buggies presumably work equally as well as the Rivet machines. Defendants contend that if they infringed upon the Rivet '785 patent at all with regard to rentals, they infringed merely 5% of the total rented hours when the infringing units were used in the swamp. The record is completely void of any evidentiary basis for the kind of apportionment which the defendants have proposed. Even assuming the hourly distribution as alleged by the defendants, the apportionment they seek would not necessarily follow. For example, if a job requires both marsh work and swamp work, only the Rivet machines will be able to do the job because it is the only machine which can do heavy work in the swamp. Consequently, if non-infringing [Page 531] machines cannot do 5% of a job, they cannot do the job at all Moreover, while the Court recognizes that there is some overlap in specifications and capabilities between the patented Rivet machines and the non-infringing marsh buggies, the evidence conclusively demonstrates that units employing the Rivet '785 patent are a better product than the non-infringing machines. The pontoon structure of the Rivet machine is stronger, having superior water tight integrity and puncture resistance. Because of its strength, superior buoyant structure, and ability to resist pontoon structure, the Rivet machine is capable of carrying heavy uppers across the treed swamp terrain without significant damage.

Similarly, these same qualities allow the Rivet machine to last longer and work better in marsh lands and waterways than typical marsh craft. Having infringed upon the Rivet '785 patent, the defendants were able to offer their rental customers a better product than the noninfringing marsh buggies and, therefore, benefited at the plaintiffs' expense from these rentals regardless of whether the infringing machines were used in the swamp, in marsh lands, or elsewhere. The Court concludes that the defendants have failed to allege sufficient grounds for warranting an apportionment of the rental damages. The functional overlap between patented units and non-infringing marsh craft will be considered as a mitigating factor in determining whether exemplary damages should be imposed against the defendants.

Total Pecuniary Damages

The Court finds the defendants liable to the plaintiffs for a total damages, composed of the lost profits on sales and rentals of infringing units, in the amount of $516,808.30.

Prejudgment Interest

[15] Plaintiffs seek prejudgment interest on the grounds that in addition to the lost profits damages sustained, plaintiffs were also denied the use of these profits during the period infringement. (Dr. Harvey's Report, dated April 13, 1981, p.6 (Exhibit I of Plaintiffs' Post Trial Brief for Damages Hearing.)) In effect, prejudgment interest makes the plaintiffs whole by compensating them for the delay in receiving their lost profits. There is substantial authority for the plaintiffs' position on prejudgment interest. *See Saf-Gard Products, Inc.* v. *Service Parts, Inc., supra,* at 1010-11 (citing other recent cases). Because the damages in this case are based upon both sales and rentals over a substantial period of time, the computation of prejudgment interest to compensate plaintiffs is necessarily a complicated process, involving assumptions which this Court is not prepared

to make. For example, the record is not clear concerning the date from which interest should run as to the lost sales or the lost rentals, whether it should be from the date of the transaction as to each sale or rental, or the date when plaintiffs could have reasonably expected to receive payment on the sale or rental, or some other date. In view of the uncertainty as to the date when the prejudgment interest should begin to run, the Court concludes that prejudgment interest should not be awarded in this case. Nevertheless, plaintiffs should be compensated for the delay in receiving the lost profits owed to them, and, therefore, the Court will consider this factor in determining whether to impose exemplary damages upon the defendants.

Attorneys' Fees and Costs

[16] In the previous Opinion of this Court, dated December 11, 1981, the Court held that plaintiffs were entitled to an award of reasonable attorneys' fees and costs (Conclusions of Law Nos. 25, 26, 27, 28, 32 & 33). Plaintiffs seek $137,609.50 in attorneys' fees and $45,415.70 in costs. (*See* Affidavit of Costs, attached as Exhibit N in Plaintiffs' Post Trial Brief.) The defendants challenge the attorneys' fees sought on the grounds that the time claimed to have been spent in the prosecution of this case, 2,692.2 hours, is grossly excessive.

Plaintiffs' counsel has recently submitted to the Court an itemized billing of his hours. [Page 532] The Court, however, is not bound by an attorney's time sheet. The statute provides only for reasonable attorneys' fees, and to this end, the Court may rely upon its own knowledge, experience, and expertise in determining the time required to provide adequate legal services. *Johnson* v. *Georgia Highway Express,* 488 F.2d 714, 717 (5th Cir. 1974). This matter has been before the Court for various status conferences, hearings, a trial on the merits, and a trial on damages. Thus the Court is sufficiently familiar with activities of counsel to determine the time necessary for the prosecution of

this action. The Court would agree that 2,632.20 hours is excessive, being the equivalent to one attorney devoting 50 hours a week on this case for over a year. Defense counsel contends that he has spent approximately 350 hours on this matter. The Court recognizes that the burden of proof rests with the plaintiffs, and this is a particularly heavy burden in an action for patent infringement. While the law presumes the validity of a patent, this presumption does not, as a practical matter, relieve the patent holder from the obligation to prove this case. In order to prevail, plaintiffs have had to investigate and convince the Court that they were the holders of a valid patent, that the patent was willfully infringed upon, and that they suffered damages as a result of the infringement. The Court is convinced that the needs of the plaintiffs in successfully enforcing their rights under the Rivet '785 patent were substantially greater than defendants, and this need should be reflected in the time plaintiffs' counsel devoted to this matter. Accordingly, in view of all factors, the Court finds that an attorney fee of $50,000 to be reasonable in this case, based upon 1,000 hours expended at a rate of $50.00 per hour. With respect to costs, the Court agrees with the defendants that $17,372.49 in costs claimed by the plaintiffs have not been itemized and should not be included in an award for costs. The Court finds that all other costs sought by plaintiffs are reasonable. Wherefore, the Court will award costs in the amount of $28,943.51.

Exemplary Damages

[17] Finally, the patent code provides for exemplary damages in that the Court "may increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. This provision allows the trial court considerable discretion to award exemplary damages based upon the degree of bad faith exhibited by the defendant infringer. *Saginaw Products Corp.* v. *Eastern Airlines, Inc., supra* at 1143; *Julien* v. *Gomez & Andre*

Tractor Repairs, Inc., supra at 960. The Court has already found that the defendants willfully and deliberately infringed upon the Rivet '785 patent, having copied the essential parts of the patented amphibious craft, knowing the same to be patented and having no good faith belief that the patent is invalid. (Conclusions of Law No. 26). Under these circumstances, where the defendants' conduct was intentional, willful, and with reckless disregard of plaintiffs' patent rights, plaintiffs are entitled to exemplary damages. *See Milgo Electronics* v. *United Business Communications, Inc.*, 632 F.2d 645 (10th Cir.), cert denied, 449 U.S. 1066, 101 S.Ct. 794, 66 L.Ed.2d 611 (1980). Moreover, exemplary damages are appropriate because the Court has determined that the defendants' conduct warranted an award for reasonable attorneys' fees. *See Saginaw Products Corp.* v. *Eastern Airlines, Inc., supra* at 1143. Defendants respond by asserting that they did not in bad faith infringe upon the Rivet '785 patent because they acted upon advice of counsel. *Maloney-Crawford Tank Corp.* v. *Sander Tank, Inc.*, 511 F.2d 10, 14 (10th Cir. 1975); *Julien* v. *Gomez & Andre Tractor Repairs, Inc., supra* at 960. Once again, the defendants' contention fails for want of evidentiary support. There has been no testimony in this case demonstrating that the defendants sought the advice of a qualified patent attorney before infringing upon the Rivet '785 patent. The evidence before the Court indicates that the defendants willfully and deliberately copied the Rivet '785 patent without soliciting advice of counsel. The advice of a qualified patent attorney was apparently only sought [Page 533] after defendants had begun to manufacture infringer units and after plaintiffs brought this suit to enforce the Rivet '785 patent. In the Court's opinion, the defendants had decided to market infringing machines without regard to authoritative legal advice and with reckless disregard for plaintiffs' rights under the Rivet '785 patent. Having failed to establish good faith reliance upon an authoritative opinion of invalidity, the defendants' deliberate

and willful infringement of the Rivet '785 patent cannot be condoned. Given these circumstances, the Court is inclined to exercise its discretion in awarding exemplary damages.

The Court also recognizes that the defendants' liability goes beyond the pecuniary damages awarded in this case. Damages have been based upon sales of infringing units for foreign use and upon rentals. The evidence has also shown that defendants sold infringing machines for domestic use. Plaintiffs have not sought lost profits on these machines because they do not sell units for domestic use. While plaintiffs may not have suffered any direct pecuniary loss as a result of the defendants' domestic sales, nevertheless, the plaintiffs have been affected by these domestic sales to the extent that other companies use the infringing units to bid against the plaintiffs for domestic pipe laying jobs. Though plaintiffs may recover directly against the domestic users for infringement of the Rivet '785 patent, some responsibility lies with the defendants who manufactured and sold these infringing units. Accordingly, the exemplary damages will take into account the defendants' responsibility for damages resulting from the domestic sale and use of infringing units.

There are only two mitigating factors to be considered with regard to exemplary damages. First is the functional overlap between the Rivet '785 patent and the prior art. The Rivet machine and non-infringing marsh craft can both cross marsh land and waterways, although the Rivet machine is a superior overall product, especially for carrying heavy uppers. The uniqueness of the Rivet '785 patent lies in its ability to carry heavy uppers into the treed swamp. The Court has awarded lost profits on the entire machines because a substantial portion of the commercial value of the Rivet machine is attributable to the patented elements. To some extent, however, the value of the Rivet machine can be imputed to the prior art, and, therefore, exemplary damages should be fixed in consideration of the value of the prior art. The other mitigating factor is the financial

ability of the defendants to satisfy a judgment including exemplary damages. While the Court has sought to fully compensate plaintiffs by disgorging profits which were unlawfully purloined by the defendants, the judgment in this matter should not unduly prejudice the defendants' non-infringing business.

In view of these factors, the Court will double the pecuniary damages awarded for lost profit on the sales and rentals of infringing units. This brings the total damages, excluding the award for reasonable attorneys' fees, to $1,033,616.60.

Conclusion

The Court finds the following: 1) plaintiffs are entitled to pecuniary damages in the amount of $516,808.30; 2) the award for pecuniary damages should be doubled, increasing the amount of damages to $1,033,-[Page 534]616.60; and 3) plaintiffs are entitled to an award for reasonable attorneys' fees and costs in the amount of $78,043.551.

Accordingly, the Court will enter judgment in favor of the plaintiffs and against the defendants in the amount of $1,113,660.11.

UNITED STATES COURT OF APPEALS
FIFTH CIRCUIT
OFFICE OF THE CLERK

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Clerk

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No. 82-3004 — Kori Corporation, Et Al. -vs-
Wilco Marsh Buggys, Et Al.

Dear Counsel:

The Court has requested that I advise the parties as follows:

From the record it appears that the trial court has not determined the amount of attorney's fees to be awarded. The jurisdiction of this court appears to be bottomed upon 28 U.S.C. § 1292(a)(4) providing for jurisdiction in civil actions for patent infringement which are final except for accounting.

The parties are to address the question of whether under the principles of such cases as *Holmes* v. *McDermott*, 682 F.2d 1143 (5th Cir. 1982), the judgment appealed from is final within the meaning of 28 U.S.C § 1292(a)(4) given the interlocutory character of the appeal.

Accordingly, simultaneous supplemental briefs should be filed within 15 days from this date, or, by not later than October 22, 1982.

Very truly yours,
GILBERT F. GANUCHEAU, *Clerk*

By: /s/ BARRY W. STEIBING
BARRY W. STIEBING,
Chief Judicial Support

[708 F.2d 151]

KORI CORPORATION AND HUEY J. RIVET, ET AL.,
Plaintiffs-Appellees,

v.

WILCO MARSH BUGGIES AND DRAGLINES, INC., ET AL.,
Defendants-Appellants

No. 82-3004

UNITED STATES COURT OF APPEALS,
FIFTH CIRCUIT.

June 27, 1983.

Rehearing Denied Aug. 17, 1983.

Plaintiffs brought action alleging infringement by defendants of patent No. 3,842,785, entitled "Amphibious marsh craft," and defendants counterclaimed alleging that patent was invalid. The United States District Court for the Eastern District of Louisiana, Robert F. Collins, J., 561 F.Supp. 512, entered judgment for plaintiffs, and defendants appealed. The Court of Appeals, Politz, Circuit Judge, held that: (1) patent was valid, and (2) patent was infringed.

Affirmed.

1. **Patents: 112.1**

Properly issued patent was entitled to presumption of validity and alleged infringer bore burden of showing invalidity. 35 U.S.C.A. § 282.

2. **Patents: 37**

To be patentable, invention must be novel. 35 U.S.C.A. § 102.

3. **Patents: 72(1)**

Defense of anticipation, derived principally from statute requiring that, to be patentable, invention must be novel, is strictly technical, requiring showing of actual identity in prior art. 35 U.S.C.A. § 102(a).

4. **Patents: 72(1)**

Unless all of same elements or their equivalents are found in substantially same situation where they do substantially same [Page 152] work in same way, there is no patent anticipation. 35 U.S.C.A. § 102(a).

5. **Patents: 310(7⅜)**

Allegation by alleged patent infringer of prior uses which were in fact found in somewhat similar but distinct situations did not provide sufficient basis upon which to negate novelty. 35 U.S.C.A. §§ 102, 102(a).

6. **Patents: 168(1)**

Claim that prior art placed before Patent Office in course of its review and approval was inadequate was not supported by file wrapper where, although application did not list every prior art device which contained some element found on marsh buggy for which patent was sought, application presented examiner with pertinent prior art, including relevant references to each element distinguishing buggy from earlier patented marsh craft. 35 U.S.C.A. § 102.

7. **Patents: 98**

Justification of prior art requirement includes notion of fair disclosure by applicants so that Patent Office may adequately consider previous inventions. 35 U.S.C.A. § 102.

8. **Patents: 98**

In context of prior art placed before Patent Office in course of its review, fair disclosure is not endless or absolute disclosure; it suffices if Patent Office is not misled and has meaningful opportunity to compare pertinent prior art. 35 U.S.C.A. § 102.

9. **Patents: 26(1½, 2)**

Linchpin of evaluation of patent's obviousness is not whether individual components were obvious at time of invention, but

whether aggregation produced new or different result or achieved synergistic effect. 35 U.S.C.A. § 103.

10. **Patents: 26(1)**

In judging obviousness of combination patent, Court of Appeals would look to aggregate effect of individual components. 35 U.S.C.A. § 103.

11. **Patents: 26(1½)**

Combination patents, to be valid, must produce unexpected, unusual or synergistic result; inquiry is nothing more than whether whole is greater than sum of its parts. 35 U.S.C.A. § 103.

12. **Patents: 26(1½)**

Notwithstanding that many elements of patented swamp buggy could be separately found in prior art, synergistic effect of combination, which resulted in first craft capable of traveling safely and carrying heavy loads for extended periods through stump-filled swamps, belied charge of obviousness. 35 U.S.C.A. § 103.

13. **Patents: 16.22**

Where limitations of previously patented swamp vehicle, when tested outside its intended uses, were immediately apparent but no definitive improvement was offered for over 20 years, patent at issue for first craft capable of traveling safely and carrying heavy loads for extended periods through stump-filled swamps was innovatively different and not readily obvious to one in inventor's position and was therefore valid. 35 U.S.C.A. § 103.

14. **Patents: 237**

Doctrine of equivalents gives patentee broad protection from minor deviations.

15. **Patents: 235(2)**

Patent No. 3,842,785, for vehicle which could travel safely carrying heavy loads for extended periods through stump-filled swamps, was infringed by craft having substantial identity of means, operation and result and differences which were but cosmetic and trivial.

Greenberg & Dallam, Nathan Greenberg, Gretna, La., for defendants-appellants.

Keaty & Garvy, Thomas S. Keaty, New Orleans, La., for plaintiffs-appellees.

Appeal from the United States District Court for the Eastern District of Louisiana.

[Page 153]

Before TUTTLE*, POLITZ and GARWOOD, *Circuit Judges.*

POLITZ, *Circuit Judge:*

The discovery of oil and gas deposits beneath the marshes and swamps of the Gulf South opened vast vistas, offered many opportunities and called for a host of new developments. A form of transportation capable of traversing the neither-land-nor-water character of the wide-open treeless marshes, as well as the obstruction-ridden, stump-studded swamps, was an immediate and pressing need. In 1974, Huey J. Rivet offered a solution with an "Amphibious Marsh Craft" for hauling loads and laying pipeline in the swamp. The instant dispute involves Rivet's marsh patent, infringed, according to the plaintiffs, by the defendants' manufacture of similar craft. After bifurcation, the district court, 561 F. Supp. 512, found the Rivet patent valid and infringed by defendants' vehicle. We affirm.

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* Circuit Judge of the Eleventh Circuit, sitting by designation.

Facts

The Rivet patent, U.S. Patent No. 3,842,785, describes an endless-track amphibious vehicle, resembling a pontooned army tank, capable of traversing marshes and swamp-land, carrying loads up to 60 tons over tree stumps and other obstacles. Rivet's buggy finds primary application in oil and gas related transportation and construction, offering an efficient method for laying pipelines through the Louisiana swamps.

Before the advent of the Rivet craft, those venturing into the swamps relied on a marsh craft patented in 1947 by Frank Reynolds. The Reynolds amphibian was originally used in seismic survey work in the open marshes. Its design was not suitable for hauling heavy loads or for movement through swampy areas. In the 1950s this craft was adapted for limited pipeline work by attachment of a small crane to a set of Reynolds-type pontoons. Other modifications included the addition of a backhoe and the reduction of the vehicle's size, both in an effort to avoid damage caused by tree stumps encountered in the swamps.

Despite the adaptations, the Reynolds buggy could not make the transition from treeless marshes to treed swamps, and it could not carry heavy loads without frequent mishaps. Pipeline workers sought to navigate the swamps by "matting," a procedure using huge timber mats to support earthmovers which cleared away the tree stumps. The process was slow, cumbersome and expensive. The mats had to be moved to each new location and, not infrequently, the equipment would slip off the mats and sustain damage. The name of the game was damages and delay. Even with this costly workover of the swamps, the Reynolds craft would break down often, making back-up units necessary to prevent expensive immobilization of construction crews.

Huey Rivet was using the burdensome process while laying pipeline in Mississippi and Louisiana in 1971. Frustration at the

inefficiency and construction delays provided the motivation for his invention of a structurally stronger, more watertight buggy. Rivet developed a buggy capable of traversing stump-dotted swampland, actually "walking" over stumps without matting or preclearing. The craft could do so for extended periods, carrying substantial loads. The design resisted the dual banes of previous marsh buggies-pontoon puncturing and weld twisting.

The advantages enjoyed by the Rivet model derived principally from: (1) placement of plastic support blocks on the cleats to prevent pontoon puncturing, (2) spacing of I-beams on pontoon bottoms for support, and (3) creating discrete buoyant chambers by placing vertical bulkheads within the length of the pontoons.

Robert J. Wilson, Sr., father of defendants John M. Wilson, Sr., Dean R. Wilson, and Robert J. Wilson, Jr., worked for Rivet during 1974 as a contract welder. During this time, as found by the district court, Wilson received detailed instructions on the design of the Rivet pontoon. Upon completion of his welding contract with Rivet, Wilson began building Rivet-type pontoons [Page 154] for Wilco Marsh Buggies and Draglines, Inc., a corporation formed and owned by his three sons. Wilco bought a Rivet craft and Dean Wilson ordered copies of the Rivet patent. Wilco began the production and sale of a marsh buggy strikingly similar to the Rivet vehicle, especially the model manufactured by Kori Corporation, a Rivet-licensee.

Rivet, Kori, and another licensee, Louis Woodson, filed the instant suit against Wilco and the Wilson brothers, seeking injunctive relief and damages. In the pre-trial bifurcation, the issue of damages, together with claims and counterclaims of unfair competition, libel and trade secret appropriation, was

severed.[1] After trial to the bench, the district court found the patent valid and infringed and enjoined further infringement.

Validity

Relying on the Reynolds patent, recent design improvements in the marsh craft industry, and patents from other field, Wilco contends that the Rivet patent is invalid because: (1) it was anticipated in the prior art, and/or (2) its claims were obvious to one having ordinary skill in the relevant art.

[1] The Rivet patent, like all patents properly issued, is entitled to a presumption of validity. 35 U.S.C. § 282. Wilco bears the burden of showing the invalidity of a patent regular on its face. *E.g., Farmhand, Inc.* v. *Anel Engineering Industries, Inc.*, 693 F.2d 1140 (5th Cir. 1982); *Parker* v. *Motorola, Inc.*, 524 F.2d 518, 521 (5th Cir.1975) (describing various measures of proof applied and concluding that more than a "mere preponderance of the evidence" is required), *cert. denied*, 425 U.S. 975, 96 S.Ct. 2175, 48 L.Ed.2d 799 (1976).

1. **Anticipation and the Prior Art**

[2-4] To be patentable, an invention must be novel. 35 U.S.C. § 102. The defense of anticipation, derived principally from § 102(a),[2] is strictly technical, requiring a showing of

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[1] Wilco's appeal originally included an attorneys' fees issue. We noted, and Wilco agreed, that the issue was raised prematurely. By supplemental briefing Wilco waived, at this time, the attorneys' fees appeal, leaving that issue to be considered with the second phase of the bifurcated trial. We find that the issues Wilco ultimately urges to this court are properly before us.

[2] Section 102(a) provides that one is entitled to a patent unless "the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent. . . ."

Prior art may also invalidate a patent even where the invention is not identically disclosed as required by § 102, if the distinguishing feature is obvious. 35 U.S.C. § 103.

actual identity in the prior art. *Steelcase, Inc.* v. *Delwood Furniture Co., Inc.*, 578 F.2d 74 (5th Cir.), *cert. denied*, 440 U.S. 960, 99 S.Ct. 1503, 59 L.Ed.2d 774 (1978). Indeed, "unless all of the same elements or their equivalents are found in substantially the same situation where they do substantially the same work in the same way, there is no anticipation." *Continental Oil Co.* v. *Cole*, 634 F.2d 188, 195 (5th Cir.) (footnote omitted), *cert. denied*, 454 U.S. 830, 102 S.Ct. 124, 70 L.Ed.2d 106 (1981).

[5] The district court found that Wilco failed to establish the existence of any prior art which disclosed all or substantially all of the elements claimed under the Rivet patent. Although Wilco argues that prior public use involved vertical bulkheads, spaced I-beams, and support blocks, there is no suggestion that all three elements were found together in any previous unit. Further, many of the prior uses Wilco urges are in fact found in somewhat similar but distinct situations, such as airplane pontoons. While such uses offer a glimpse of what may have been apparent in the art, they do not provide a sufficient basis upon which to negate novelty. Wilco has not established that the Rivet patent was anticipated in the prior art.

[6] Wilco claims that its burden should be lightened in this case and the presumption of validity lessened, suggesting that the prior art placed before the Patent Of-[Page155]fice in the course of its review and approval of the Rivet patent was inadequate. *See, e.g., Cathodic Protection Service* v. *American Smelting & Redefining Co.*, 594 F.2d 499 (5th Cir.), *cert. denied*, 444 U.S. 956, 100 S.Ct. 453, 62 L.Ed.2d 378 (1979). This claim is not supported by the file wrapper. Although Rivet's application did not list every prior art device which contained some element found on his marsh buggy, it presented the Examiner with the pertinent prior art, including the relevant references to each element distinguishing Rivet's craft from Reynolds' and Reynolds-type crafts.

[7, 8] The *raison d'etre* of the prior art requirement includes the notion of fair disclosure by applicants so that the Patent Office may adequately consider previous inventions. Fair disclosure is not endless or absolute disclosure. It suffices if the Patent Office is not misled and has a meaningful opportunity to compare pertinent prior art. We have cautioned in the context of a fair trade/antitrust dispute:

> Fair dealing . . . is not a mechanical mandate that every patent ultimately cited by the Examiner in issuing the patent or, more so, by the unlimited industry [of] counsel in a years-later infringement suit in which every writing, periodical, or patent, foreign or domestic, is dredged up as prior art, must be cited in the application.

Becton, Dickinson & Co. v. *Sherwood Medical Industries, Inc.*, 516 F.2d 514, 524 (5th Cir. 1975). Wilco has not shown that Rivet inadequately disclosed, or that the Patent Office failed to consider, relevant prior art sufficient to cast doubt upon the patent's validity.

2. **Obviousness**

Wilco also claims that the Rivet patent is invalid for obviousness. This defense derives from 35 U.S.C. § 103, which prescribes that no valid patent will issue if the differences between the invention sought to be patented and the prior art are such that the invention "as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."

[9] Wilco again invites our attention to prior art devices which relate to elements of the Rivet invention. But "[t]he linchpin is not whether the individual components of the . . . patent were obvious at the time of the invention, but whether the aggregation produced a new or different result or achieved a synergistic effect." *Continental Oil Co.*, 634 F.2d at 197. In this sense the inquiry under § 103 is whether prior use makes the picture on the jigsaw puzzle, rather than its pieces, obvious.

[10, 11] Because this appeal involves a combination patent, in judging obviousness we look to the aggregate effect. Courts are reluctant to find inventiveness in an amalgamation of old ideas, *see Sakraida* v. *Ag Pro, Inc.*, 425 U.S. 273, 96 S.Ct. 1532, 47 L.Ed.2d 784 (1976), so that combination patents, to be valid, must produce an unexpected, unusual or synergistic result. The inquiry is nothing more than an instance of gestalt analysis: Is the whole greater then the sum of its parts? *Farmhand*, 693 F.2d at 1144-45; *Whitley* v. *Road Corp.*, 624 F.2d 698 (5th Cir. 1980).

[12] Even though many of the elements of the Rivet patent can be separately found in the prior art, the combination is striking. No previous craft was capable of traveling safely for extended periods through stump-filled swamps. None could carry the heavy loads demanded by oil-related exploration and construction. The improvements to prior craft, were merely quantitative. The one craft combining these features — the Rivet model — made a quantum leap in transportation through the swamp. Other machines may have used two of the three modifications Rivet made, but two-out-of-three did not create a new buggy capable of matching the performance of the Rivet craft.[3] This synergistic effect of the triad modifications belies the charge of obviousness.

[Page 156]

[13] The district court's finding of nonobviousness is further supported by such secondary considerations as commercial success, copying, and previous need and failure. *See Graham* v. *John Deere Co.*, 383 U.S. 1, 86 S.Ct. 684, 15 L.Ed.2d 545 (1966); *Continental Oil Co.*, 634 F.2d at 197 & n.5 (others had tried in vain for three years to produce a working paravane). The

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[3] Moreover, the record supports an inference that one of these elements — Rivet's pontoon structure — was itself unique and nonobvious, bolstering the court's finding of validity irrespective of the dramatic value of the combination of pontoon, block and I-beam.

limitations of the Reynolds craft, when tested outside its intended uses, were immediately apparent. No definitive improvement was offered for over twenty years. We conclude that the Rivet patent was innovatively different and not readily obvious to one in Rivet's position and is therefore valid.

Infringement

[14] The final issue is whether Wilco's marsh buggy infringes the Rivet patent. Wilco suggests a number of modifications which, it is claimed, distinguish Wilco's product from Rivet's patent. These alterations may suffice to prevent literal infringement of some of the claims of the Rivet patent, but the doctrine of equivalents gives a patentee broad protection from minor deviations. *Ziegler* v. *Phillips Petroleum Co.*, 483 F.2d 858 (5th Cir.), *cert. denied,* 414 U.S. 1079, 94 S.Ct. 597, 38 L.Ed.2d 485 (1975).

[15] We need not belabor the point. Suffice it to say that a comparison of the two craft reveals substantial identity of means, operation and result. The differences are cosmetic and trivial. The essence of both vehicles is the same; each relies on the Rivet improvements. Wilco's models infringe the Rivet patent.

AFFIRMED.

28 U.S.C. § 1292. Interlocutory decisions (1948) (amended 1951, 1958, superseded by 1982 amendment)

(a) The courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court;

(2) Interlocutory orders appointing receivers, or refusing orders to wind up receiverships or to take steps to accomplish the purposes thereof, such as directing sales or other disposals of property;

(3) Interlocutory decrees of such district courts or the judges thereof determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed.

(4) Judgments in civil actions for patent infringement which are final except for accounting.

(b) When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order: *Provided, however,* That application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order. June 25, 1948, c. 646, 62 Stat. 929; Oct. 31, 1951, c. 655, § 49, 65 Stat. 726; July 7, 1958, Pub.L. 85-508, § 12(e), 72 Stat. 348; Sept. 2, 1958, Pub.L. 85-919, 72 Stat. 1770.

28 U.S.C. § 1292. Interlocutory decisions (1982)

(a) Except as provided in subsections (c) and (d) of this section, the courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court;

(2) Interlocutory orders appointing receivers, or refusing orders to wind up receiverships or to take steps to accomplish the purposes thereof, such as directing sales or other disposals of property;

(3) Interlocutory decrees of such district courts or the judges thereof determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed.

[(4) Repealed. Pub.L. 97-164, Title I, § 125(a)(3), Apr. 2, 1982, 96 Stat. 36]

(b) When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order: Provided, however, That application for an appeal hereunder shall not stay proceedings in the district court unless

the district judge or the Court of Appeals or a judge thereof shall so order.

(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —

(1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title; and

(2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting.

(d) (1) When the chief judge of the Court of International Trade issues an order under the provisions of section 256(b) of this title, or when any judge of the Court of International Trade, in issuing any other interlocutory order, includes in the order a statement that a controlling question of law is involved with respect to which there is a substantial ground for difference of opinion and that an immediate appeal from that order may materially advance the ultimate termination of the litigation, the United States Court of Appeals for the Federal Circuit may, in its discretion, permit an appeal to be taken from such order, if application is made to that Court within ten days after the entry of such order.

(2) When any judge of the United States Claims Court, in issuing an interlocutory order, includes in the order a statement that a controlling question of law is involved with respect to which there is a substantial ground for difference of opinion and that an immediate appeal from that order may materially advance the ultimate termination of the litigation, the United States Court of Appeals for the Federal Circuit may, in its discretion, permit an appeal to be taken from such order, if application is made to the Court within ten days after the entry of such order.

(3) Neither the application for nor the granting of an appeal under this subsection shall stay proceedings in the Court of International Trade or in the Claims Court, as the case may be, unless a stay is ordered by a judge of the Court of International Trade or of the Claims Court or by the United States Court of Appeals for the Federal Circuit or a judge of that court.

28 U.S.C. § 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —

(1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title;

(2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), 1346(e), or 1346(f) of this title or under section1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department provided for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;

(3) of an appeal from a final decision of the United States Claims Court;

(4) of an appeal from a decision of —

(A) the Board of Patent Appeals and Interferences of the Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

(B) the Commissioner of Patents and Trademarks or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

(C) a district court to which a case was directed pursuant to section 145 or 146 of title 35;

(5) of an appeal from a final decision of the United States Court of International Trade;

(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337);

(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under headnote 6 to schedule 8, part 4, of the Tariff Schedules of the United States (relating to importation of instruments or apparatus);

(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461);

(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5; and

(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 8(g)(1) of the Contract Disputes Act of 1978 (41 U.S.C. 607(g)(1)).

(b) The head of any executive department or agency may, with the approval of the Attorney General, refer to the Court of Appeals for the Federal Circuit for judicial review any final decision rendered by a board of contract appeals pursuant to the terms of any contract with the United States awarded by that department or agency which the head of such department or agency has concluded is not entitled to finality pursuant to the review standards specified in section 10(b) of the Contract Disputes Act of 1978 (41 U.S.C. 609(b)). The head of each executive department or agency shall make any referral under this section within one hundred and twenty days after the receipt of a copy of the final appeal decision.

(c) The Court of Appeals for the Federal Circuit shall review the matter referred in accordance with the standards specified in section 10(b) of the Contract Disputes Act of 1978. The court shall proceed with judicial review on the administrative record made before the board of contract appeals on matters so referred as in other cases pending in such court, shall determine the issue of finality of the appeal decision, and shall, if appropriate, render judgment thereon, or remand the matter to any administrative or executive body or official with such direction as it may deem proper and just.

28 U.S.C. § 1631. Transfer to cure want of jurisdiction

Whenever a civil action is filed in a court as defined in section 610 of this title or an appeal, including a petition for review of administrative action, is noticed for or filed with such a court and that court finds that there is a want of jurisdiction, the court

shall, if it is in the interest of justice, transfer such action or appeal to any other such court in which the action or appeal could have been brought at the time it was filed or noticed, and the action or appeal shall proceed as if it had been filed in or noticed for the court to which it is transferred on the date upon which it was actually filed in or noticed for the court from which it is transferred.

35 U.S.C. § 261. Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

35 U.S.C. § 283. Injunction

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

35 U.S.C. § 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

35 U.S.C § 285. Attorney fees

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

Fed. R. Civ. P. Rule 52. Findings by the Court.

(a) *Effect.* In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court

adopts them, shall be considered as the findings of the court. It will be sufficient if the findings of fact and conclusions of law are stated orally and recorded in open court following the close of the evidence or appear in an opinion or memorandum of decision filed by the court. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b).

(b) *Amendment.* Upon motion of a party made not later than 10 days after entry of judgment the court may amend its findings or make additional findings and may amend the judgment accordingly. The motion may be made with a motion for a new trial pursuant to Rule 59. When findings of fact are made in actions tried by the court without a jury, the question of the sufficiency of the evidence to support the findings may thereafter be raised whether or not the party raising the question has made in the district court an objection to such findings or has made a motion to amend them or a motion for judgment.

Fed. R. Civ. P. Rule 65. (d) Form and Scope of Injunction or Restraining Order.

Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained; and is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.

Supreme Court, U.S.
FILED
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JOSEPH F. SPANIOL, JR.
CLERK

(2)

No. 85-266

In The

Supreme Court of the United States

October Term, 1985

WILCO MARSH BUGGIES AND DRAGLINES, INC., JOHN M. WILSON, SR., DEAN R. WILSON, and ROBERT J. WILSON, JR.,

Petitioners,

v.

KORI CORPORATION, HUEY J. RIVET, and LOUIS WOODSON,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF THE QUESTION PRESENTED

Where there are no exceptional circumstances present, does the law of the case doctrine preclude individual defendants in a patent infringement action from raising the issue of their personal liability in the damage or accounting appeal when they did not raise, brief or argue that issue during their appeal of the liability phase even though the trial court had expressly ruled in the liability phase that they had actively induced infringement and were willful infringers?

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ABBREVIATIONS

P.: Petition for Writ of Certiorari

P.App.: Appendix to Petition for Writ of Certiorari

No. 85-266

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October Term, 1985

WILCO MARSH BUGGIES AND DRAGLINES, INC., JOHN M. WILSON, SR., DEAN R. WILSON, and ROBERT J. WILSON, JR.,

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

I.

STATEMENT OF THE CASE

Respondents generally accept the Statement of the Case presented by Petitioners although two additional matters should be noted. First, in the appeal of the liability phase, the Fifth Circuit affirmed the trial court's ruling that *all* the defendants infringed Respondents' patent. Second, the first time that defendants sought to challenge the trial court's ruling that all defendants were liable was when they appealed the accounting phase of the trial to the Court of Appeals for the Federal Circuit. Even then, it was raised untimely in Appellants' Reply and Supplemental Briefs and not in their original Brief.

II.

REASONS FOR DENYING THE WRIT

Petitioners are quite correct in their statement that the issue of the personal liability of the Wilsons was not briefed, argued, referenced or in any way addressed by the parties or the court during the prior liability appeal to the Fifth Circuit. However, if Petitioners wanted to appeal the trial court's ruling of personal liability, they *should* have raised that issue in the appeal of the liability phase of the bifurcated trial and not in the appeal of the accounting phase.

The Court of Appeals for the Federal Circuit properly relied upon the doctrine of the law of the case in refusing to consider the personal liability of the individual defendants because that issue was explicitly decided at an earlier stage of the litigation and was not preserved by Petitioners on appeal. The trial court ruled in the liability phase—and rightly so—that *all* defendants were liable for actively inducing infringement and were willful infringers. Petitioners totally failed to challenge this ruling of personal liability of the individual defendants when they appealed to the Fifth Circuit. Therefore, that ruling became the law of the case in the subsequent appeal of the accounting phase.

Petitioners characterize this case as similar to *Smith International, Inc. v. Hughes Tool Co.*, 759 F.2d 1572 (Fed. Cir. 1985), *petition for cert. filed*, — U.S.L.W. — (U.S. June 24, 1985) (No. 84-1995), which is pending before this Court, but the cases are quite different. The only similarities which Respondents can discern are that the Federal Circuit applied the law of the case doctrine in both appeals (but for different reasons) and the Petitioners in both cases are represented by the same counsel.

In *Smith International,* the Federal Circuit in the damage appeal held that the Court of Appeals for the Ninth Circuit had decided the issue of fraud by "necessary implication" when it held the Hughes' patent valid. Petitioners' primary arguments in *Smith International* are that no appellate court ever actually considered the merits of the patent fraud defense and that the issue of fraud is such an important public policy issue that the Federal Circuit should have expressly considered it on the damage appeal regardless of whether the defendant had cross-appealed on the fraud issue in the first instance.

In the present case, it cannot be argued that the courts failed to consider the issue of the personal liability of the individual defendants. During the early pretrial proceedings in the district court, Petitioners moved to dismiss the individual defendants because they were officers, directors and/or shareholders and, as such, were not liable for the corporation's infringement. Prior to trial, the trial court denied the motion, stating:

> The determination of personal liability for patent determination [sic, infringement] under Section 271 is based on the individual's separate and independent liability for his (or their) own, specific acts of infringement. Liability is thus joint and several.
>
> . . . .
>
> The issue whether, and to what extent, the Wilsons actively induced the alleged infringement in this case is a factual one, not to be determined at this time. Obviously however, such determination cannot be made if the Wilsons are dismissed. (P.App. 21-22).

After the liability trial on the merits, the trial court *explicitly* ruled that the defendants were liable for actively inducing infringement and were willful infringers (P.App. 48-49; 561 F. Supp. at 522). That ruling necessarily became the law of the case when Petitioners ap-

pealed the liability phase of the bifurcated trial and failed to question the lower court's ruling on personal liability.

Petitioners argue that "the doctrine of law of the case does not preclude matters that *could* have been but were not decided during prior proceedings" (P. 9) (emphasis added). While this may be an axiom that Petitioners believe should be part of Federal practice (or at least one which should govern this Court's action in *Smith International*), it has no application to the case at hand. This case involves an issue which *should* have been but was not raised on appeal to the Fifth Circuit. Having been omitted as one of the points of appeal by Petitioners, the trial court's ruling on that issue became the law of the case.

Petitioners' special counsel has recognized this conventional application of the law of the case doctrine in his Treatise where he pointed out that:

> The last and least important aspect of law of the case doctrine embraces circumstances in which lower court rulings become binding on higher courts through failure to preserve an issue for review. So long as a matter is properly preserved in the lower court, the fact that the lower court can properly refuse reconsideration as a matter of law of the case of course does not prevent subsequent review and reversal on appeal. If the matter is omitted from one appeal, however, it may be held foreclosed on a later appeal to the same court as a matter of law of the case.*

18 Wright, Miller & Cooper, *Federal Practice & Procedure: Jurisdiction* §4478 at 801 (1981). *See* also, 1 J. Moore, *Federal Practice* ¶ 0.404[1] at 120 n. 15 (1984).

In accordance with 28 U.S.C. §1292(a)(4), Petitioners had a right to appeal from a judgment which was "fi-

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*In *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983) the Federal Circuit indicated that it would treat an appellate court's earlier decision on liability as its own.

nal except for an accounting." The purpose of this provision is to permit intermediate appellate courts to review findings of liability before the parties suffer the expenses of an accounting. Of course, Petitioners were not obligated to appeal at that time, but having chosen to do so, they were required to raise all issues relating to liability. To permit them to do otherwise would effectively give a party the opportunity to raise issues on appeal one at a time. Piecemeal appeals are not favored for this very reason.

Petitioners' argument that "the issues of liability—who is to pay—should naturally be considered along with the questions of damages—how much to pay" (P. 12) makes no sense. Aside from the fact that the authorities cited do not support such a proposition, the argument flies in the face of what bifurcation is intended to accomplish in patent suits.

Petitioners rely on *Paeco, Inc. v. Applied Moldings, Inc.*, 562 F.2d 870 (3d Cir. 1977) and *Saf-Gard Products, Inc. v. Service Parts, Inc.*, 532 F.2d 1266 (9th Cir.), *cert. denied*, 429 U.S. 896 (1976), but even a casual reading of these cases makes it clear that they do not stand for the proposition for which they are cited. *Paeco* involves a case in which the court had appellate jurisdiction only under §1292(a)(1) and refused to rule on the issue of attorney's fees because it was irrelevant to the district court's denial of injunctive relief. 562 F.2d at 880. In *Saf-Gard*, the court refused to review the propriety of the trial court's ruling that increased damages should be imposed because no damages had yet been assessed. 532 F.2d at 1273. Moreover, *Wilden Pump & Engineering Co. v. Pressed & Welded Products Co.*, 655 F.2d 984 (9th Cir. 1981) makes it clear that *Saf-Gard* does not stand for the proposition that the determination of increased

damages should never be reviewed until after the accounting. 655 F.2d at 989. More importantly for our purposes, *Wilden Pump* demonstrates that the individual's liability as an infringer is a liability issue, not a damage issue.

Petitioners even concede in their argument that the issue of "who is to pay" is an issue of liability (P. 12) yet they seek to transplant it into the appeal of the accounting phase to overcome their earlier failure to raise it before the Fifth Circuit. Because a bifurcated trial *necessarily* separates the issues of liability and damages, it follows that when the liability phase of a bifurcated trial is appealed the issue of personal liability should "naturally be considered" along with the other liability issues. And this is what the courts consistently do.

The issue of the individual liability of Petitioners was unquestionably decided before the appellate review by the Fifth Circuit. Professor Wright's Treatise in discussing patent appeals under 28 U.S.C. § 1292(a)(4) makes the following point:

> Since appeal is allowed only if there is a judgment final except for an accounting, the statute necessarily implies that the district court judgment has established the basis for an accounting by finding infringement and disposing of any questions of patent validity. In addition, *the requirement of finality clearly means that all issues relating to liability for infringement of that patent have been determined.* (Emphasis added).

16 Wright, Miller, Cooper & Gressman, *Federal Practice & Procedure: Jurisdiction* § 3928 at 125 (1977).

The issue of Petitioners' individual liability is an integral part of the issue of liability in general, and it should not be tried in the accounting phase of a bifurcated trial unless expressly reserved for some stated reason. In their Brief, Petitioners have not cited a single case in which the

issue of individual liability was decided in the accounting phase. On the other hand, it is common practice for this issue to be reviewed on appeal following the liability phase of a patent infringement suit. *Wilden Pump, supra; International Manufacturing Co. v. Landon, Inc.*, 336 F.2d 723 (9th Cir. 1964), *cert. denied*, 379 U.S. 988 (1965); *Marks v. Polaroid Corp.*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352 U.S. 1005 (1957).

The Federal Circuit below correctly stated that "the district court's decision denying Wilco's motion to dismiss was part of its original decision of liability" (P.App. 18; 761 F.2d at 657). Moreover, as the Federal Circuit recognized, the issue of personal liability was *explicitly* decided by the trial court and was an issue appealable in the liability phase of the trial. The trial court's explicit ruling became the law of the case when Petitioners failed to appeal that issue to the Fifth Circuit and the Fifth Circuit's affirmance became final. The Federal Circuit correctly applied the law of the case doctrine and further found that Petitioners had presented no evidence of "exceptional circumstances" to warrant a departure from its general rule of application (P.App. 18; 761 F.2d at 657).

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expressly reserving the attorney fees issue did not and should not affect the personal liability issue which Petitioners concede was never "briefed, argued, referenced, or in any way addressed by the parties or the court during the prior interlocutory appeal to the Fifth Circuit" (P. 7).

III.

CONCLUSION

Respondents request that the petition for writ of certiorari be denied because the Federal Circuit properly invoked the law of the case doctrine to preclude the individual defendants from belatedly seeking review of their personal liability.

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No. 85-266

In The

Supreme Court of the United States

October Term, 1985

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Petitioners,

v.

KORI CORPORATION, HUEY J. RIVET, and LOUIS WOODSON,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF THE QUESTION PRESENTED

Where there are no exceptional circumstances present, does the law of the case doctrine preclude individual defendants in a patent infringement action from raising the issue of their personal liability in the damage or accounting appeal when they did not raise, brief or argue that issue during their appeal of the liability phase even though the trial court had expressly ruled in the liability phase that they had actively induced infringement and were willful infringers?

NOTICE UNDER SUPREME COURT RULE 28.1

This brief is filed on behalf of Respondents, Huey J. Rivet, patentee of United States Patent No. 3,842,785, Louis Woodson, part owner of U.S. Patent No. 3,842,785 and at one time the exclusive licensee under the patent, and Kori Corporation, the exclusive licensee under the patent by assignment from Louis Woodson, all of whom were Plaintiffs in the District Court and Appellees in the Court of Appeals for the Fifth Circuit and in the Court of Appeals for the Federal Circuit. The Kori Corporation has the following affiliates: Laine Construction Co., Inc.; Woodson Construction Co., Inc.; Loumar Construction Co., Inc.; and Glaser Construction Co., Inc.

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ABBREVIATIONS

P.: Petition for Writ of Certiorari

P.App.: Appendix to Petition for Writ of Certiorari

No. 85-266

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RESPONDENTS' BRIEF IN OPPOSITION

I.

STATEMENT OF THE CASE

Respondents generally accept the Statement of the Case presented by Petitioners although two additional matters should be noted. First, in the appeal of the liability phase, the Fifth Circuit affirmed the trial court's ruling that *all* the defendants infringed Respondents' patent. Second, the first time that defendants sought to challenge the trial court's ruling that all defendants were liable was when they appealed the accounting phase of the trial to the Court of Appeals for the Federal Circuit. Even then, it was raised untimely in Appellants' Reply and Supplemental Briefs and not in their original Brief.

II.

REASONS FOR DENYING THE WRIT

Petitioners are quite correct in their statement that the issue of the personal liability of the Wilsons was not briefed, argued, referenced or in any way addressed by the parties or the court during the prior liability appeal to the Fifth Circuit. However, if Petitioners wanted to appeal the trial court's ruling of personal liability, they *should* have raised that issue in the appeal of the liability phase of the bifurcated trial and not in the appeal of the accounting phase.

The Court of Appeals for the Federal Circuit properly relied upon the doctrine of the law of the case in refusing to consider the personal liability of the individual defendants because that issue was explicitly decided at an earlier stage of the litigation and was not preserved by Petitioners on appeal. The trial court ruled in the liability phase—and rightly so—that *all* defendants were liable for actively inducing infringement and were willful infringers. Petitioners totally failed to challenge this ruling of personal liability of the individual defendants when they appealed to the Fifth Circuit. Therefore, that ruling became the law of the case in the subsequent appeal of the accounting phase.

Petitioners characterize this case as similar to *Smith International, Inc. v. Hughes Tool Co.*, 759 F.2d 1572 (Fed. Cir. 1985), *petition for cert. filed*, — U.S.L.W. — (U.S. June 24, 1985) (No. 84-1995), which is pending before this Court, but the cases are quite different. The only similarities which Respondents can discern are that the Federal Circuit applied the law of the case doctrine in both appeals (but for different reasons) and the Petitioners in both cases are represented by the same counsel.

In *Smith International*, the Federal Circuit in the damage appeal held that the Court of Appeals for the Ninth Circuit had decided the issue of fraud by "necessary implication" when it held the Hughes' patent valid. Petitioners' primary arguments in *Smith International* are that no appellate court ever actually considered the merits of the patent fraud defense and that the issue of fraud is such an important public policy issue that the Federal Circuit should have expressly considered it on the damage appeal regardless of whether the defendant had cross-appealed on the fraud issue in the first instance.

In the present case, it cannot be argued that the courts failed to consider the issue of the personal liability of the individual defendants. During the early pretrial proceedings in the district court, Petitioners moved to dismiss the individual defendants because they were officers, directors and/or shareholders and, as such, were not liable for the corporation's infringement. Prior to trial, the trial court denied the motion, stating:

> The determination of personal liability for patent determination [sic, infringement] under Section 271 is based on the individual's separate and independent liability for his (or their) own, specific acts of infringement. Liability is thus joint and several.
>
> . . . .
>
> The issue whether, and to what extent, the Wilsons actively induced the alleged infringement in this case is a factual one, not to be determined at this time. Obviously however, such determination cannot be made if the Wilsons are dismissed. (P.App. 21-22).

After the liability trial on the merits, the trial court *explicitly* ruled that the defendants were liable for actively inducing infringement and were willful infringers (P.App. 48-49; 561 F. Supp. at 522). That ruling necessarily became the law of the case when Petitioners ap-

pealed the liability phase of the bifurcated trial and failed to question the lower court's ruling on personal liability.

Petitioners argue that "the doctrine of law of the case does not preclude matters that *could* have been but were not decided during prior proceedings" (P. 9) (emphasis added). While this may be an axiom that Petitioners believe should be part of Federal practice (or at least one which should govern this Court's action in *Smith International*), it has no application to the case at hand. This case involves an issue which *should* have been but was not raised on appeal to the Fifth Circuit. Having been omitted as one of the points of appeal by Petitioners, the trial court's ruling on that issue became the law of the case.

Petitioners' special counsel has recognized this conventional application of the law of the case doctrine in his Treatise where he pointed out that:

> The last and least important aspect of law of the case doctrine embraces circumstances in which lower court rulings become binding on higher courts through failure to preserve an issue for review. So long as a matter is properly preserved in the lower court, the fact that the lower court can properly refuse reconsideration as a matter of law of the case of course does not prevent subsequent review and reversal on appeal. If the matter is omitted from one appeal, however, it may be held foreclosed on a later appeal to the same court as a matter of law of the case.*

18 Wright, Miller & Cooper, *Federal Practice & Procedure: Jurisdiction* §4478 at 801 (1981). *See* also, 1 J. Moore, *Federal Practice* ¶ 0.404[1] at 120 n. 15 (1984).

In accordance with 28 U.S.C. §1292(a)(4), Petitioners had a right to appeal from a judgment which was "fi-

---

*In *Central Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1580 (Fed. Cir. 1983) the Federal Circuit indicated that it would treat an appellate court's earlier decision on liability as its own.

nal except for an accounting." The purpose of this provision is to permit intermediate appellate courts to review findings of liability before the parties suffer the expenses of an accounting. Of course, Petitioners were not obligated to appeal at that time, but having chosen to do so, they were required to raise all issues relating to liability. To permit them to do otherwise would effectively give a party the opportunity to raise issues on appeal one at a time. Piecemeal appeals are not favored for this very reason.

Petitioners' argument that "the issues of liability—who is to pay—should naturally be considered along with the questions of damages—how much to pay" (P. 12) makes no sense. Aside from the fact that the authorities cited do not support such a proposition, the argument flies in the face of what bifurcation is intended to accomplish in patent suits.

Petitioners rely on *Paeco, Inc. v. Applied Moldings, Inc.*, 562 F.2d 870 (3d Cir. 1977) and *Saf-Gard Products, Inc. v. Service Parts, Inc.*, 532 F.2d 1266 (9th Cir.), *cert. denied*, 429 U.S. 896 (1976), but even a casual reading of these cases makes it clear that they do not stand for the proposition for which they are cited. *Paeco* involves a case in which the court had appellate jurisdiction only under §1292(a)(1) and refused to rule on the issue of attorney's fees because it was irrelevant to the district court's denial of injunctive relief. 562 F.2d at 880. In *Saf-Gard*, the court refused to review the propriety of the trial court's ruling that increased damages should be imposed because no damages had yet been assessed. 532 F.2d at 1273. Moreover, *Wilden Pump & Engineering Co. v. Pressed & Welded Products Co.*, 655 F.2d 984 (9th Cir. 1981) makes it clear that *Saf-Gard* does not stand for the proposition that the determination of increased

damages should never be reviewed until after the accounting. 655 F.2d at 989. More importantly for our purposes, *Wilden Pump* demonstrates that the individual's liability as an infringer is a liability issue, not a damage issue.

Petitioners even concede in their argument that the issue of "who is to pay" is an issue of liability (P. 12) yet they seek to transplant it into the appeal of the accounting phase to overcome their earlier failure to raise it before the Fifth Circuit. Because a bifurcated trial *necessarily* separates the issues of liability and damages, it follows that when the liability phase of a bifurcated trial is appealed the issue of personal liability should "naturally be considered" along with the other liability issues. And this is what the courts consistently do.

The issue of the individual liability of Petitioners was unquestionably decided before the appellate review by the Fifth Circuit. Professor Wright's Treatise in discussing patent appeals under 28 U.S.C. § 1292(a)(4) makes the following point:

> Since appeal is allowed only if there is a judgment final except for an accounting, the statute necessarily implies that the district court judgment has established the basis for an accounting by finding infringement and disposing of any questions of patent validity. In addition, *the requirement of finality clearly means that all issues relating to liability for infringement of that patent have been determined.* (Emphasis added).

16 Wright, Miller, Cooper & Gressman, *Federal Practice & Procedure: Jurisdiction* § 3928 at 125 (1977).

The issue of Petitioners' individual liability is an integral part of the issue of liability in general, and it should not be tried in the accounting phase of a bifurcated trial unless expressly reserved for some stated reason. In their Brief, Petitioners have not cited a single case in which the

issue of individual liability was decided in the accounting phase. On the other hand, it is common practice for this issue to be reviewed on appeal following the liability phase of a patent infringement suit. *Wilden Pump, supra; International Manufacturing Co. v. Landon, Inc.*, 336 F.2d 723 (9th Cir. 1964), *cert. denied*, 379 U.S. 988 (1965); *Marks v. Polaroid Corp.*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352 U.S. 1005 (1957).

The Federal Circuit below correctly stated that "the district court's decision denying Wilco's motion to dismiss was part of its original decision of liability" (P.App. 18; 761 F.2d at 657). Moreover, as the Federal Circuit recognized, the issue of personal liability was *explicitly* decided by the trial court and was an issue appealable in the liability phase of the trial. The trial court's explicit ruling became the law of the case when Petitioners failed to appeal that issue to the Fifth Circuit and the Fifth Circuit's affirmance became final. The Federal Circuit correctly applied the law of the case doctrine and further found that Petitioners had presented no evidence of "exceptional circumstances" to warrant a departure from its general rule of application (P.App. 18; 761 F.2d at 657).

Petitioners also argue, albeit incorrectly, that they reserved the issue of personal liability in the Fifth Circuit when they expressly reserved their appeal of the attorney fees issue. Respondents recognize that the Petitioners reserved their right to appeal the issue relating to attorney's fees after the accounting phase of the bifurcated trial was completed. And, of course, this issue was expressly decided by the Federal Circuit below. However,

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III.

CONCLUSION

Respondents request that the petition for writ of certiorari be denied because the Federal Circuit properly invoked the law of the case doctrine to preclude the individual defendants from belatedly seeking review of their personal liability.

Respectfully submitted,

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Respondents.

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF
APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

Respondents make only two arguments in their opposition to the petition for certiorari. Only a few words are needed to demonstrate the total lack of merit in those arguments.

FIRST, THE FIFTH CIRCUIT HAD JURISDICTION TO REVIEW THE TRIAL COURT'S INTERLOCUTORY DECISION OF DECEMBER 11, 1981 GRANTING AN INJUNCTION UNDER 28 U.S.C. § 1291(a)(1).

Respondents' primary argument, spanning pages 1 through 7 of their 8-page response in opposition to the petition for certiorari, is predicated upon an inaccurate premise. The inaccurate premise is that the interlocutory appeal to the Fifth Circuit was based on 28 U.S.C. § 1291(a)(4) for review of decisions that are "final except for accounting." Respondents' argument continues that because the District Court's December, 1981 interlocutory decision was allegedly this type of "final" decision, the individual Petitioners, the Wilsons, were required to raise all issues to the Fifth Circuit that had been decided by the District Court in December of 1981 on penalty of waiver. By choosing not to raise the issue of personal liability during the interlocutory appeal to the Fifth Circuit, Respondents conclude that the Wilsons waived their right to have this issue decided on appeal to the Federal

Circuit from the District Court's final decision in August of 1982.[1] The short answer to this argument is, of course, that the Fifth Circuit had jurisdiction under 28 U.S.C. § 1291(a)(1) for interlocutory review of decisions granting injunctions, and did not assume jurisdiction under 28 U.S.C. § 1291(a)(4). A further answer is that the Federal Circuit did not make the fine distinction between interlocutory appeals under 28 U.S.C. § 1291(a)(4) and 28 U.S.C. § 1291(a)(1) upon which Respondents rely. Instead, here as in the case of *Smith International, Inc.* v. *Hughes Tool Co.*, Petition No. 84-1995, the Federal Circuit erroneously applied the doctrine of law of the case in the same fashion as *res judicata* without regard to the statutory basis for the prior interlocutory appeal.

As indicated in the Petition at 4-5, the Fifth Circuit *sua sponte* questioned whether it had jurisdiction under 28 U.S.C. § 1291(a)(4) and requested supplemental briefing. Petitioners advised the Fifth Circuit that jurisdiction was proper under 28 U.S.C. § 1291(a)(1) for review of decisions granting injunctions and that review should be confined to the validity of the injunction, "which would naturally involve only the findings relative to patent validity and infringement in connection with the issuance of the injunction." (Supplemental Brief to Fifth Circuit at 2). Thereafter, the Fifth Circuit limited its review to the issues of patent validity in view of certain known technology and patent infringement by "Wilco's models." (Petition at 5-6; 708 F.2d at 154-56; A. 79-84). Following this procedure, the Petitioners and the Fifth Circuit expressly agreed that certain issues, including the alleged right to attorney fees would be reserved for further proceedings. (Petition at 5; 708 F.2d at 154, n. 1; A. 80). Clearly, the District Court's December, 1981 interlocutory decision was not reviewed as though "final".

---

[1] This argument is, of course, based upon Respondents' interpretation of the Federal Circuit's opinion. No such argument was made by Respondents to the Federal Circuit.

Respondents have not argued that the Federal Circuit's refusal to consider the issue of personal liability could be justified if the Fifth Circuit assumed jurisdiction under 28 U.S.C. § 1291(a)(1). This is because it is well settled that only those issues necessary to the entry of the injunction need be appealed and matters that could have been appealed, but were not, are not foreclosed. 16 WRIGHT, MILLER, COOPER & GRESSMAN, FEDERAL PRACTICE AND PROCEDURE §§ 3921, 3924 (1985). The only issues necessary to entry of the injunction were those expressly considered by the Fifth Circuit: patent validity and infringement. The Wilsons, as officers of the Defendant corporation, Wilco, were, of course, subject to the terms of the injunction regardless of the issue of their personal liability for damages. FED. R. CIV. P. 65(d) (A. 93). The question of their personal liability for damages was not an issue which necessarily had to be decided to permit entry of the injunction. Accordingly, there was no duty to raise that issue during the interlocutory appeal to the Fifth Circuit.

SECOND, RESPONDENTS CONCEDE THAT CERTAIN ISSUES WERE NOT BEFORE THE FIFTH CIRCUIT AND WERE NOT WAIVED.

Respondents state:

> Respondents recognize that the Petitioners reserved their right to appeal the issue relating to attorney fees after the accounting phase of the bifurcated trial was completed.

(Response at 7). Without analysis, Respondents simply conclude that this reservation "did not and should not affect the personal liability issue . . . ." *Id.* at 8. This lack of analysis is revealing. Even if Respondents' "waiver" arguments were plausible, the only aspect of the District Court's December, 1981 opinion that was not expressly reserved for further proceedings was the District Court's conclusion that the Wilsons were liable for inducing infringement under 35 U.S.C. § 271. (Conclusions of Law No. 23; A. 48). But questions of inducing infringment for purposes of liability for compensatory damages under 35 U.S.C. § 271 are wholly separate from the questions of willfulness and "exceptional case" for purposes of awarding attorney fees under

35 U.S.C. § 285 and punitive damages under 35 U.S.C. § 284(2). Further, nowhere in the District Court's December, 1981 decision is there any reference to the possibility of an award of punitive damages against any of the Petitioners. As such, there was no basis for appeal of the issue of personal liability for punitive damages to the Fifth Circuit. Because conduct above and beyond merely "inducing infringement" must be found to justify punitive damages and attorney fees, the District Court's conclusions and findings on these issues were properly before the Federal Circuit by being either expressly reserved as indicated by the Fifth Circuit, or not reached by the District Court until its final decision in 1982.

CONCLUSION

Respondents concede that the issue of the personal liability of the Wilsons was not decided either expressly or by clear implication by the Fifth Circuit. (Response at 2, 8). The Federal Circuit's conclusion to the contrary was in error. Here, as in the *Smith International, Inc.* v. *Hughes Tool Co.*, Petition No. 84-1995, the Federal Circuit has grievously misapplied the doctrine of law of the case. The petition for certiorari should be granted.

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Jeffrey W. Tayon